

FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1721

SHARE OFFER

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



Co-Lead Manager



Supreme China Securities Limited
智華證券有限公司

**Yellow River
Securities Limited**

Financial Adviser



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Share : 250,000,000 Shares
Number of Public Offer Shares : 25,000,000 Shares (subject to reallocation)
Number of Placing Shares : 225,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.60 per Offer Share and expected to be not less than HK\$0.52 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 1721

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



Supreme China Securities Limited
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Co-Lead Manager



Financial Adviser



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong” in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The final Offer Price is expected to be fixed by agreement between our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Friday, 6 July 2018 and in any event, not later than Thursday, 12 July 2018. Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will be not more than HK\$0.60 per Share and is currently expected to be not less than HK\$0.52 per Share, unless otherwise announced. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.60 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Sole Bookrunner may, with our Company’s consent, reduce the number of Offer Shares under the Share Offer and/or the Offer Price stated in this prospectus by less than 10% below the bottom end of the indicative Offer Price Range at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the number of Offer Shares and/or the Offer Price will be published on the website of the Stock Exchange at www.hkexnews.hk and website of our Company at www.fsmtch.com not later than the morning of the last day for lodging applications under the Public Offer. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed “Structure and conditions of the Share Offer” and “How to apply for the Public Offer Shares” in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section headed “Risk factors” in this prospectus. Pursuant to the Public Offer Underwriting Agreement, the Sole Bookrunner has the right in certain circumstances to terminate the obligations of the Public Offer Underwriter at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus.

EXPECTED TIMETABLE

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company's website at www.fsmtech.com.

2018^(Note 1)

Application lists of the Public Offer open^(Note 2) 11:45 a.m. on Thursday, 5 July

Latest time to lodge **WHITE** and **YELLOW** Application

Forms and to give **electronic application instructions**

to HKSCC^(Note 4) 12:00 noon on Thursday, 5 July

Application lists of the Public Offer close^(Note 2) 12:00 noon on Thursday, 5 July

Expected Price Determination Date^(Note 4) Friday, 6 July

(a) Announcement of the final Offer Price, the indication of level of interest in the Placing, the results of applications in the Public Offer and the basis of allocation under the Public Offer to be published on the websites of the Stock Exchange at www.hkexnews.hk and Company's website at www.fsmtech.com on or before^(Note 5) Friday, 13 July

(b) Results of allocations in the Public Offer (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares – 10. Publication of results" from Friday, 13 July

A full announcement of the Public Offer containing (a) and (b) above to be published on the website of the Stock Exchange at www.hkexnews.hk^(Note 5) and our Company's website at www.fsmtech.com^(Note 6) Friday, 13 July

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function on Friday, 13 July

Despatch/collection of share certificates of the Public Offer Shares or deposit of share certificates of the Public Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before^(Note 7) Friday, 13 July

EXPECTED TIMETABLE

2018^(Note 1)

Despatch/collection of refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before^(Note 8) Friday, 13 July

Dealing in the Shares on the Stock Exchange expected to commence at. 9:00 a.m. on Monday, 16 July

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk^(Note 6) and our Company’s website at www.fsmtech.com^(Note 7).
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2018, the application lists will not open and close on that day. Please refer to the section headed “How to apply for the Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Thursday, 5 July 2018, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares – 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 6 July 2018 and in any event, not later than Thursday, 12 July 2018. If, for any reason, the final Offer Price is not agreed by 6:00 p.m. on Thursday, 12 July 2018 between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.
5. The announcement will be available for viewing on the “Main Board – Allotment of Results” page on the website of the Stock Exchange at www.hkexnews.hk.
6. None of the information contained on any website forms part of this prospectus.
7. Applicants who apply for 1,000,000 Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 July 2018 or any other date as notified by us on the websites as the date of despatch of share certificates/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the

EXPECTED TIMETABLE

addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

8. Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

Share certificates for the Share Offer will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENT

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENT	iv
SUMMARY	1
DEFINITIONS	11
GLOSSARY OF TECHNICAL TERMS	21
FORWARD-LOOKING STATEMENTS	23
RISK FACTORS	24
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	37
WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES	41
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	43
CORPORATE INFORMATION	49
INDUSTRY OVERVIEW	51
REGULATORY OVERVIEW	61
HISTORY, DEVELOPMENT AND REORGANISATION	82
BUSINESS	92
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	144
DIRECTORS AND SENIOR MANAGEMENT	149
SHARE CAPITAL	161

CONTENT

	<i>Page</i>
SUBSTANTIAL SHAREHOLDERS	164
FINANCIAL INFORMATION	165
FUTURE PLANS AND USE OF PROCEEDS	205
UNDERWRITING	213
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	222
HOW TO APPLY FOR THE PUBLIC OFFER SHARES	230
APPENDIX I — ACCOUNTANT’S REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — PROPERTY VALUATION REPORT	III-1
APPENDIX IV — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	IV-1
APPENDIX V — STATUTORY AND GENERAL INFORMATION	V-1
APPENDIX VI — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. These are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We are a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. Sheet metal fabrication is the use of sheet metal to produce structures and products for various applications, whereas precision engineering requires attention to detail and knowledge for careful application of measurements, control and fabrication methods which supports the production of complex components in various industries. During the Track Record Period, we generally produced and supplied customised sheet metal products to our customers. We also provided precision machining services to semi-finished products of our customers. The following table sets out our revenue from (i) sale of sheet metal products; and (ii) precision machining services during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Sale of sheet metal products	18,531	100.0	12,598	100.0	19,996	96.2
Precision machining services	—	—	—	—	795	3.8
Total	18,531	100.0	12,598	100.0	20,791	100.0

Having an operating history of over 25 years and through our continuing efforts, our Directors believe that we have built a reputation as a quality and reliable sheet metal fabricator and precision machining service provider in Singapore. According to the Ipsos Report, we are one of the key active market players with market share of approximately 1.3% in the metal precision components market in Singapore, which has a total market value of approximately S\$933.5 million for the year ended 31 December 2016.

Deploying advanced production machineries and techniques, we offered our customers comprehensive services tailored for their specific designs and specifications, ranging from providing engineering solutions and feedbacks on their designs and producing first articles, to manufacturing, testing and assembling of the products, as well as providing after-sales technical support. Our Directors believe that our business model which integrates different production processes, has enabled us to provide our customers with a cost-effective option to fulfil their precision engineering-related needs.

SUMMARY

Our products

We generally sold and delivered our sheet metal products to our customers' designated facilities in Singapore after which our customers, both contract manufacturers and brand owners, would integrate and assemble our sheet metal products into machineries used for various applications. The following table sets out the breakdown of our revenue from the sale of sheet metal products by the type of application during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Semiconductor manufacturing	9,948	53.7	5,880	46.7	10,875	54.4
Machinery and machine tools manufacturing	6,184	33.4	5,540	44.0	8,056	40.3
Printing application	1,050	5.6	989	7.8	830	4.2
Others ^(Note)	1,349	7.3	189	1.5	235	1.1
Total	18,531	100.0	12,598	100.0	19,996	100.0

Note: Others included security-related applications and miscellaneous sale of small parts.

Our production and production facilities

As at the Latest Practicable Date, our business was headquartered in Singapore with production facilities in both Singapore and Malaysia. Our production facilities in Singapore were located in two properties in two locations, both in Tuas, while our production facilities in Malaysia were located in Johor, which is located right next to Singapore. For the three years ended 31 December 2017, the major production processes in our production facilities in Singapore recorded an average utilisation rate of approximately 88.3%, 78.7% and 80.6%, respectively, while those in our production facilities in Malaysia recorded an average utilisation rate of approximately 89.8%, 84.9% and 95.3%, respectively. For further details of our properties, please refer to the section headed "Business – Our properties" in this prospectus. For details of the market value of our properties in Singapore and Malaysia, please refer to the property valuation report set out in Appendix III to this prospectus.

During the Track Record Period, we have continuously acquired machineries to optimise our production capability, efficiency as well as accuracy. In particular, in recent years, we have introduced the 5-axis milling machines in our production process to improve our overall production capability. Our machinery fleet also possessed advanced machineries such as robotic welding machines and laser welding machines, which can improve our production automation, and coordinate measuring machine, which can enhance our production accuracy. Most of our machineries are highly flexible and can be used to produce different products with different specifications. As at 31 December 2017, our machineries for the major production processes had an average remaining economic life of approximately 6.3 years. For further details, please refer to the section headed "Business – Our production and production facilities" in this prospectus.

SUMMARY

Our customers

During the Track Record Period, we served customers who were contract manufacturers and brand owners. The following table sets out our revenue during the Track Record Period by reference to the role of our customers:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Contract manufacturers	12,131	65.5	6,991	55.5	12,717	61.2
Brand owners	6,400	34.5	5,607	44.5	8,074	38.8
Total	18,531	100.0	12,598	100.0	20,791	100.0

During the Track Record Period, our major customers included subsidiaries of several established multi-national companies. For the three years ended 31 December 2017, our largest customer for the corresponding year accounted for approximately 32.9%, 43.7% and 48.7% of our revenue, respectively, while our five largest customers for the corresponding year in aggregate accounted for approximately 96.6%, 98.9% and 98.9% of our revenue, respectively. Having considered we have maintained business relationship with our major customers for six to 18 years and in view of our mutual and complementary reliance with our customers, our Directors believe that we are capable of maintaining our business relationships as well as our revenue in the future. For further details, please refer to the section headed “Business – Our customers” in this prospectus.

Our suppliers

We generally carry out our productions with our own machineries and workers while we also engage subcontractors to perform some of the post-treatment processes to achieve better cost efficiency. During the Track Record Period, suppliers which are specific to our business and are required on a regular basis for our business operation mainly include suppliers of material and subcontractors. For the three years ended 31 December 2017, our direct material costs accounted for approximately 32.8%, 29.3% and 30.1% of our total cost of sales for the corresponding year, respectively, while our subcontracting costs accounted for approximately 9.1%, 10.2% and 11.9% of our total cost of sales for the corresponding year, respectively.

For the three years ended 31 December 2017, our largest supplier for the corresponding year accounted for approximately 8.3%, 9.7% and 11.9% of our total purchases, respectively, while the purchase from our five largest suppliers for the corresponding year in aggregate accounted for approximately 33.3%, 31.9% and 40.6% of our total purchases, respectively. For further details, please refer to the section headed “Business – Our suppliers” in this prospectus.

Pricing strategy

We determine our pricing on a case-by-case basis by adopting a cost-plus pricing model. After estimating our production costs, which mainly include (i) our processing cost; and (ii) the estimated material and subcontracting costs, our management team will proceed to determine the additional profit margin, taking into account factors including (i) the technical requirements; (ii) the production schedule; and (iii) the expected sales volume.

SUMMARY

COMPETITIVE STRENGTHS

Our Directors believe our reputation as a quality and reliable sheet metal fabricator and precision machining service provider in Singapore is attributable to our competitive strengths, namely (i) established history and proven track record; (ii) leverage on advanced machineries to achieve better production capability, efficiency as well as accuracy; (iii) customised and comprehensive services tailored to our customers; (iv) long-standing and strong business relationship with our major customers and principal customers of contract manufacturers; (v) stable and experienced management team; and (vi) stringent control over our quality and environmental impact. For details of our competitive strengths, please refer to the section headed “Business – Competitive strengths” in this prospectus.

COMPETITIVE LANDSCAPE

According to the Ipsos Report, as at 8 February 2018, there were less than 220 establishments classified under the metal precision components market in Singapore and such market is considered to be fragmented. In 2016, the total market value of the metal precision components market in Singapore was approximately S\$933.5 million and is anticipated to grow and reach approximately S\$1.0 billion by end of 2022.

Market drivers of the metal precision components market in Singapore include (i) Singapore government’s initiatives to improve manufacturing process and output in the country; (ii) Singapore’s drive for Industry 4.0 to enable digitalisation and automation of production processes to enhance efficiency and long-term competitiveness; and (iii) Singapore government’s initiatives to support research and development over the next few years. For further details of these market drivers, please refer to the section headed “Industry overview – The metal precision components market prospects in Singapore – Market drivers” in this prospectus.

Our Directors believe that barriers of entry for metal fabricators producing products that require high precision is rather high and is often limited by a number of conditions. Entry barriers faced by new competitors in the metal precision components market in Singapore include (i) proven track record and relationship with customers; (ii) large capital investment required to be competitive with the current industry players; and (iii) possession of a sizeable pool of trained and skilled workers and machinery/equipment. For further details of these entry barriers, please refer to the section headed “Industry overview – The metal precision components market prospects in Singapore – Entry barriers” in this prospectus.

REASONS FOR THE LISTING IN HONG KONG

Our Directors had considered and evaluated different listing venues including Hong Kong and Singapore and have concluded that, notwithstanding that our business is primarily based in Singapore, Hong Kong is the suitable venue for us to pursue a listing. It is mainly because our Directors believe that the Listing in Hong Kong will facilitate us to implement our future plans as well as realise our business strategy at all.

Firstly, since we have invested a significant amount of our internal resource in acquiring additional machineries and the production facilities during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that it would be unfeasible not to create material adverse impact to our financial performance and liquidity if we choose to implement the entire expansion plan solely with debt financing and our internal resources.

SUMMARY

Secondly, our Directors are of the view that the Listing in Hong Kong will enhance our corporate profile and recognition and reinforce our brand awareness and image, which may assist us to further develop our customer base.

Thirdly, according to the data compiled by the World Bank, in 2016, the turnover ratio of stocks traded in the Hong Kong stock market was 40.9%, while based on the information from the Stock Exchange, the average daily turnover of stocks in Hong Kong was approximately HK\$66.9 billion in 2016. By comparison, according to the data compiled by the World Bank, the turnover ratio of stocks traded in the Singapore stock market in 2016 was 31.9% whilst, according to the stock exchange of Singapore, the average daily turnover of stocks in Singapore was S\$1.1 billion (approximately HK\$6.5 billion) in 2016. As a result, our Directors consider that the Listing in Hong Kong will enable us to have access to the capital market more easily for fundraising at later stages through the issuance of equity and debt securities for the implementation of business strategies in long run.

For further details of our reasons for the listing in Hong Kong, please refer to the section headed “Future plans and use of proceeds – Reasons for the Listing” in this prospectus.

BUSINESS STRATEGIES AND USE OF PROCEEDS

Having considered (i) our business performance during the Track Record Period; (ii) our competitive strengths; and (iii) the anticipated growth of the metal precision components market as stated in the Ipsos Report, we intend to (i) expand the scale of our operation by increasing our production capacity; (ii) achieve better production efficiency by implementing greater production automation; (iii) enhance our information technology system; (iv) improve our quality assurance capability; and (v) increase our marketing effort. For details of our future plans, please refer to the section headed “Business – Business strategies” in this prospectus.

The net proceeds to be received from the Share Offer based on the Offer Price of HK\$0.56 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.52 per Offer Share to HK\$0.60 per Offer Share, after deducting related expenses in connection with the Share Offer, are estimated to be approximately HK\$105.4 million. Our Directors presently intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$50.4 million, representing approximately 47.8% of the net proceeds, will be used to increase our production capacity and expand the scale of our operation by acquiring additional machinery, developing our production facilities, purchasing transportation vehicles and recruiting additional staff;
- approximately HK\$31.3 million, representing approximately 29.7% of the net proceeds, will be used to implement greater production automation and achieve better production efficiency by acquiring and installing additional machineries and recruiting additional staff;

SUMMARY

- approximately HK\$10.1 million, representing approximately 9.6% of the net proceeds, will be used to enhance our information technology system by introducing an ERP system and hiring additional skilled employees;
- approximately HK\$2.8 million, representing approximately 2.7% of the net proceeds, will be used to improve our quality assurance capability by acquiring coordinate measurement machines and hiring additional employees for our quality control department;
- approximately HK\$1.3 million, representing approximately 1.2% of the net proceeds, will be used to increase our marketing efforts by organising marketing events with our existing and potential customers; and
- approximately HK\$9.5 million, representing approximately 9.0% of the net proceeds, will be used as working capital.

RISK FACTORS

There are certain risks involved in our business operations and in connection with the Share Offer while some of which are beyond our control. Any of the factors set forth under the section headed “Risks factors” in this prospectus may limit our ability to execute our business strategy successfully. In particular, some of the risks which our Directors consider to be material include: (i) our business is affected by the product life cycle of machineries produced by our customers or principal customers; (ii) we derive a significant portion of our revenues from several of our major customers; and (iii) cessation of government preferential tax scheme may adversely affect our financial performance. For further details, please refer to the section headed “Risk Factors” in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth selected financial information for the years indicated. Please refer to the Accountant’s Report set out in Appendix I to this prospectus for further details.

Summary of the consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	18,531	12,598	20,791
Cost of sales	(11,599)	(8,561)	(12,215)
Gross profit	6,932	4,037	8,576
Profit for the year attributable to owners of the Company	5,585	2,244	6,138
Gross profit margin (%)	37.4	32.0	41.2
Net profit margin (%)	30.1	17.8	29.5

SUMMARY

Our revenue decreased by approximately S\$5.9 million or 31.9% from approximately S\$18.5 million for the year ended 31 December 2015 to approximately S\$12.6 million for the year ended 31 December 2016. The decrease was a result of the decrease in revenue from the sale of products relating to semiconductor manufacturing which was mainly attributed to the decrease in demand in certain machineries produced by our customers in semiconductor manufacturing as a result of the product life cycle of a machinery produced by our customer gradually came to an end in 2016. In addition, the sale of products relating to other application also decreased by approximately S\$1.1 million for the year ended 31 December 2016.

Our gross profit margin for the year ended 31 December 2016 was approximately 32.0%, recorded a decrease as compared with the gross profit margin of approximately 37.4% for the year ended 31 December 2015. Such decrease was mainly a result of the less sensitive decrease in manufacturing overheads as compared to the decrease in revenue for the year ended 31 December 2016 as it consisted of some fixed costs and the decrease in the sale of sheet metal products relating to semiconductor manufacturing which had highest gross profit margin among other types of product in each of the year during Track Record Period.

The decrease in revenue, gross profit margin and increase in effective tax rate also led to the decrease in net profit and net profit margin for the year ended 31 December 2016. For a more detailed discussion, please refer to the section headed “Financial information – Period-to-period comparison of results of operations” in this prospectus.

Summary of the consolidated statements of financial position

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Non-current assets	11,269	10,253	13,969
Current assets	11,071	13,567	13,555
Non-current liabilities	1,340	1,183	1,058
Current liabilities	5,327	4,681	9,145
Net current assets	5,744	8,886	4,410
Total equity	15,673	17,956	17,321

SUMMARY

Key financial ratios

The following tables set out the key financial ratios of our Group during the Track Record Period. Please refer to the paragraph headed “Financial information – Summary of financial ratios” in this prospectus for details.

	Year ended 31 December		
	2015	2016	2017
Return on total assets	25.0%	9.4%	22.3%
Return on equity	35.6%	12.5%	35.4%
Interest coverage ratio	68.4 times	43.7 times	166.7 times

	As at 31 December		
	2015	2016	2017
Current ratio	2.1 times	2.9 times	1.5 times
Quick ratio	1.9 times	2.6 times	1.3 times
Gearing ratio ⁽¹⁾	15.5%	9.7%	20.2%

Notes:

1. Gearing ratio is calculated based on total debts divided by total equity as at the respective year end and multiplied by 100%. Total debts is defined as payables incurred not in the ordinary course of business, including borrowings, obligations under finance leases and amounts due to shareholders; and
2. For the calculation basis of the other key financial ratio, please refer to the section headed “Financial information – Summary of financial ratios” in this prospectus.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business as a sheet metal fabricator with a focus on precision engineering and a precision machining service provider in Singapore. Based on the unaudited consolidated management account for the four months ended 30 April 2018, we recorded an increase in revenue by approximately 65.2% as compared to the same period in 2017. Our unaudited consolidated management account for the four months ended 30 April 2018 has been reviewed by our reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, with reference to Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Besides, in the first quarter of 2018, we have completed first article production for a product with a new customer and who has also started to place orders for production since April 2018. As part of our expansion plan, we also acquired the property interest in Singapore Property II in January 2018. For details of our entire expansion plan, please refer to the section headed “Business – Business strategies” in this prospectus.

SUMMARY

As at 30 April 2018, the latest practicable date for the purpose of the indebtedness statement for this prospectus, we had outstanding borrowings of approximately S\$0.7 million and outstanding obligations under finance leases of approximately S\$0.5 million, which were denominated in Singapore dollar. As at 30 April 2018, our Group had approximately S\$6.0 million of unutilised banking facilities.

The standard tax rates in Singapore and Malaysia are 17% and 24%, respectively. During the Track Record Period, we enjoyed 400% tax deductions for our asset acquisition expenditure per year under the PIC Scheme and we recorded a tax credit for the year ended 31 December 2015 which was mainly due to tax incentive related to the PIC Scheme. However, the PIC Scheme will expire in the year of assessment 2018. As such, starting from the year ending 31 December 2018, we can only enjoy tax deduction equivalent to the amount of our qualified capital expenditure to offset the taxable income during the corresponding periods and the effective tax rates for the year of assessment 2018 are expected to be higher than that for the year ended 31 December 2017 which was approximately 5.0%. For further details, please refer to the section headed “Financial information – Selected Income Statement Items – Income tax” in this prospectus.

Our Directors confirm that, save as disclosed in the above paragraph and the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect since 31 December 2017, and there has been no event since 31 December 2017 which would materially affect the information shown in our combined financial statements included in the Accountant’s Report set forth in Appendix I to this prospectus.

LISTING EXPENSES

The estimated Listing expenses primarily comprised legal and professional fees in relation to the Listing. Our Group expects that the total Listing expenses, which is non-recurring nature, will amount to approximately HK\$34.6 million (based on the mid-point of the indicative range of the Offer Price). Our Group expects to incur Listing expenses of approximately HK\$21.8 million subject to completion of the Share Offer (based on the mid-point of the indicative range of the Offer Price), which will be recognised as expenses in the statement of comprehensive income for the year ending 31 December 2018, and approximately HK\$12.8 million will be accounted for as a deduction from equity after the Listing. Our Directors wish to inform Shareholders and potential investors that the Group’s financial performance and results of operations for the year ending 31 December 2018 will be significantly affected by the estimated expenses in relation to the Listing. Listing expenses are non-recurring and non-tax-deductible. Such Listing expenses are a current estimate for reference only and the final amount to be charged to the profit or loss account of our Group for the year ending 31 December 2018 and the amount to be deducted from equity is subject to change.

SUMMARY

OFFERING STATISTICS

	Based on an Offer Price of HK\$0.52 per Share	Based on an Offer Price of HK\$0.60 per Share
Market capitalisation of the Share (<i>Note 1</i>)	520,000,000	600,000,000
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)	HK\$0.20	HK\$0.22

Notes:

- (1) The calculation of the market capitalisation of our Company is based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue but does not take into account of any options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma net tangible assets per Share is arrived at after certain estimations and adjustments. Please refer to Appendix II to this prospectus for further details.
- (3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2017.

DIVIDEND

No dividend has been paid or declared by our Company since its incorporation. For the three years ended 31 December 2017, FSM Technology (SG) and Fine Sheetmetal Technologies, in aggregate, had declared dividends of approximately S\$1.4 million, nil and S\$6.8 million, respectively. As at 31 December 2017, S\$1.4 million and S\$4.7 million of the dividends declared had been paid by FSM Technology (SG) and Fine Sheetmetal Technologies respectively and we financed the payment of such dividends by our internal resources. The remaining S\$2.1 million of dividend payable from Fine Sheetmetal Technologies will be paid out before the Listing. Our Company currently does not have a dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), Mr. Toe and Mrs. Toe will, through their respective holding company, KAL SG and KYL SG, hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 75% of the issued share capital of our Company. Accordingly, Mr. Toe, Mrs. Toe, KAL SG and KYL SG will be a group of Controlling Shareholders under the Listing Rules.

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business which would require disclosure pursuant to Rule 8.10 of the Listing Rules. For details, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Accountant’s Report”	the accountant’s report of our Group prepared by the Reporting Accountants as set out in Appendix I to this prospectus
“Application Form(s)”	the WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them, relating to the Share Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 22 June 2018 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 737,248,196 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the paragraph headed “A. Further information about our Company – 4. Written resolutions of the Shareholders passed on 22 June 2018” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board, Mr. Toe
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-Lead Manager”	Sunfund Securities Limited, being the co-lead manager of the Share Offer and a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
“Companies Law”	the Companies Law Cap 22. (Law 3 of 1961) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company”	FSM Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 5 February 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Mr. Toe, Mrs. Toe, KAL SG and KYL SG
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 22 June 2018 given by our Controlling Shareholders in favour of our Company regarding certain indemnities, details of which are set out in the paragraph headed “E. Other information – 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 22 June 2018 given by our Controlling Shareholders in favour of our Company regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with Controlling Shareholders – Deed of Non-Competition” in this prospectus
“Director(s)”	the director(s) of our Company
“Evercoat Technology”	Evercoat Technology Pte Ltd, a private company limited by shares incorporated in Singapore on 7 June 1996 and an indirect wholly-owned subsidiary of the Company
“Fine Sheetmetal Technologies”	Fine Sheetmetal Technologies Pte Ltd (previously known as RedFord Shipping Pte Ltd and Fine Sheetmetal Works Pte Ltd), a private company limited by shares incorporated in Singapore on 1 August 1980 and an indirect wholly-owned subsidiary of the Company
“FSM Malaysia”	FSM Malaysia Limited, a company incorporated in the BVI with limited liability on 1 March 2018 and a direct wholly-owned subsidiary of the Company
“FSM Manufacturing Solutions (MY)”	FSM Manufacturing Solutions Sdn Bhd, a private limited company limited by shares incorporated in Malaysia on 26 January 2014 and an indirect wholly-owned subsidiary of the Company
“FSM Manufacturing Solution (SG)”	FSM Manufacturing Solution Pte Ltd (previously known as Intekraft Pte Ltd), a private company limited by shares incorporated in Singapore on 6 February 2001 and an indirect wholly-owned subsidiary of the Company
“FSM Singapore”	FSM Singapore Limited, a company incorporated in the BVI with limited liability on 1 March 2018 and a direct wholly-owned subsidiary of the Company

DEFINITIONS

“FSM Technologies (MY)”	FSM Technologies (M) Sdn Bhd, a private limited company limited by shares incorporated in Malaysia on 9 November 2000 and an indirect wholly-owned subsidiary of the Company
“FSM Technology (SG)”	FSM Technology Pte Ltd, a private company limited by shares incorporated in Singapore on 10 July 1997 and an indirect wholly-owned subsidiary of the Company
“FWL”	Foreign worker levy, a pricing mechanism administered by the government of Singapore to regulate the number of foreign workers in Singapore
“Group”, “we”, “us” or “our”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
“HK Dollars” or “HKD” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“IFRS”	International Financial Reporting Standards
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, Substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates
“Ipsos”	Ipsos Pte. Ltd., the independent market research agency engaged by our Company

DEFINITIONS

“Ipsos Report”	an independent industry research report commissioned by our Company prepared by Ipsos
“Joint Lead Managers”	(i) Koala Securities Limited; (ii) Supreme China Securities Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity as defined under the SFO; and (iii) Yellow River Securities Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity as defined under the SFO, being the joint lead managers of the Share Offer
“KAL SG”	KAL SG Limited, a company incorporated in BVI with limited liability on 10 January 2018 which is wholly owned by Mr. Toe, one of our Controlling Shareholders
“KYL SG”	KYL SG Limited, a company incorporated in BVI with limited liability on 10 January 2018 which is wholly owned by Mrs. Toe, one of our Controlling Shareholders
“Latest Practicable Date”	21 June 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Monday, 16 June 2018, on which dealings in the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Malaysia Property I”	a property held by the Group for owner-occupation in No. 33, 35, 37 Jalan Gemilang 3 Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor, Malaysia used as factory and warehouse

DEFINITIONS

“Malaysia Property II”	a property leased by the Group in No. 40 and 42 Jalan Gemilang 3 Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor, Malaysia used as warehouse
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 22 June 2018 and as amended from time to time
“MOM”	the Ministry of Manpower, a ministry of the Government of Singapore which is responsible for the formulation and implementation of labour policies related to the workforce in Singapore. The ministry oversees matters related to issuance of work permits, S passes and employment passes
“Mr. Kyson Toe”	Mr. Toe Wei Xian (alias Zhuo Weixian) (卓維賢), one of our senior management and the son of Mr. Toe and Mrs. Toe
“Mr. Toe”	Mr. Toe Tiong Hock (卓仲福), an executive Director and one of the Controlling Shareholders
“Mrs. Toe”	Ms. Wong Yet Lian (黃月蓮), an executive Director and one of the Controlling Shareholders
“Ms. Lim”	Ms. Lim Siew Choo, an executive Director
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or issued pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set out in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Shares”	the 225,000,000 Shares being initially offered by our Company for subscription pursuant to the Placing, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about 6 July 2018 by, among others, our Company and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC”	The People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau and Taiwan region
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the price determination agreement to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters), on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, on which the final Offer Price is determined for the purposes of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 Shares initially being offered for subscription under the Public Offer, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 June 2018 relating to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, development and Reorganisation – Reorganisation” in this prospectus
“RM”	Malaysian ringgit, the lawful currency of Malaysia
“S\$”	Singapore dollars, the lawful currency of Singapore
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 22 June 2018, the principal terms of which are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Singapore”	the Republic of Singapore
“Singapore Legal Counsel”	Rajah & Tann Singapore LLP, the legal advisers to our Company as to Singapore laws
“Singapore Property I”	a property held by the Group for owner-occupation in 12 Tuas Link 1 Singapore 638595 used as factory, warehouse and ancillary office

DEFINITIONS

“Singapore Property II”	a property held by the Group for owner-occupation in 15 Tuas South Street 1 Singapore 638064 used as factory and warehouse
“Sole Bookrunner”	Koala Securities Limited, being the sole bookrunner, one of the Joint Lead Managers of the Share Offer and a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
“Sole Sponsor”	Sunfund Capital Limited, being the sole sponsor for the Listing and a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity as defined under the SFO
“sq.m”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	The Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising three financial years of our Company ended 31 December 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters, details to which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

DEFINITIONS

“VDL”	VDL Enabling Technologies Group (Singapore) Pte Ltd, a private company limited by shares incorporated in Singapore on 1 September 2006 and one of our major customers
“WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to apply for Public Offer Shares” in this prospectus
“YA”	year of assessment
“YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in section headed “How to apply for Public Offer Shares” in this prospectus
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“aluminium”	a silver-coloured, low-density metal with a huge variety of commercial application
“bizSAFE”	a five-step programme that assists companies to build up their workplace safety and health capabilities in order to achieve quantum improvements in safety and health standards at the workplace, and organised under the Workplace Safety and Health Council of Singapore
“brand owner”	a type of manufacturer under which the manufacturers develop and own the design of products which are marketed and sold under such manufacturers’ own brand names
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“CNC” or “computer numerical control”	a technology in machining featured with built-in computer aided design/manufacturing software program for precision manufacturing process
“contract manufacturer”	a type of manufacturer under which products are manufactured, in whole or in parts, in accordance with the specifications of the principal customers and are then marketed and sold under the principal customers’ brand name
“ERP system”	the enterprise resource planning system, a comprehensive software designed to integrate business processes and functions, by permitting the sharing of common data and practices in a real-time environment
“first article production”	the production of the first item which is mainly used to confirm the quality and process configuration
“GDP”	gross domestic product
“ISO”	International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations

GLOSSARY OF TECHNICAL TERMS

“ISO 14001”	standards set by the ISO for assisting a company to manage their environmental responsibilities
“ISO 9001”	requirements set by the ISO for quality management system where an organisation needs to ensure that its products and services consistently meet customer’s requirement and that quality is consistently improved
“OEM”	original equipment manufacturing
“PIC Scheme”	Productivity and Innovation Credit Scheme
“precision engineering”	a discipline of designing a machine, instrument or product with high level of accuracy, repeatedly, in speed, stability and in many orders
“precision machining”	a process where metals are rotated against tools for trimming, cutting and shaping to the desired shape or measurement
“principal customer”	the customer of the contract manufacturers who has the authority to make independent decisions on the design and specifications of the products
“remaining economic life”	the estimated period of time, expressed in years, that the asset will continue to perform economically and to fulfill its functions as intended, assuming normal utilisation and good maintenance program
“sheet metal”	the flat metal, typically under 6mm thick
“sheet metal fabrication”	the use of sheet metal to produce structures and products for various application through the general metal fabrication processes. Sheet metal can generally be cut, bent, stretched and shaped to nearly any shape and size
“SSIC”	Singapore Standard Industrial Classification
“standard parts” or “standard purchased parts”	common parts and components manufactured in professional factories that have been fully standardised in various aspects, including structure, size, specifications, and marking
“steel”	a hard grey or bluish-grey alloy of iron, described as mild, medium or high-carbon steel depending on the percentage of carbon they contain

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- future developments in the industry in which our Group operate; and
- the trend of the economy of Singapore, Malaysia, Hong Kong, the United States, the PRC and the world in general.

These statements are based on several assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors” and “Financial information” in this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s intentions or those of any of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of us could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

Our Directors believe that there are certain risks involved in our business operation, which can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to the Share Offer; and (iv) risks relating to statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our business is affected by the product life cycle of machineries produced by our customers or principal customers

During the Track Record Period, we generally produced and supplied customised sheet metal products to our customers which would integrate and assemble our products into machineries used for various applications. As such, the product life cycle of machineries produced by our customers or principal customers will have a corresponding effect on the demand of our products and services. An end of the product life cycle of a machinery produced by our customers or principal customers may lead to a decrease in the demand for its components. On the other hand, for our new products, we are generally required to go through a first article production process in which our customers can confirm with us the functionality and quality of the products to be produced. The whole process usually takes up to twelve weeks. For further details of our first article production process, please refer to the section headed “Business – Our business model – Operation flow – First article production” in this prospectus.

For the three years ended 31 December 2017, we recorded revenue of approximately S\$18.5 million, S\$12.6 million and S\$20.8 million, respectively. We have experienced a material decrease in our revenue for the year ended 31 December 2016, and it was partly due to the product life cycle of a product of our customer gradually came to an end in 2016 and the commencement of mass production of our new product for the same application commenced in 2017. For further discussion, please refer to the section headed “Financial information – Period-to-period comparison of results of operations” in this prospectus.

As a result, due to the lower quantity required in the first article production process, whenever the product life cycle of a machinery produced by our customers or principal customers ends and we are required to go through a first article production process for their new machinery, we may experience a material adverse change in our financial condition and results of operations.

RISK FACTORS

We derive a significant portion of our revenues from several of our major customers

For the three years ended 31 December 2017, our largest customer for the corresponding year accounted for approximately 32.9%, 43.7% and 48.7% of our revenue, respectively, while our five largest customers for the corresponding year in aggregate amounted to approximately 96.6%, 98.9% and 98.9% of our revenue, respectively. We have established business relationship with our major customers for six to 18 years. Please refer to the section headed “Business – Our customers” in this prospectus. We expect revenues from our major customers to continue to account for a significant portion of our revenues.

Our business with our customers has been, and we expect it will continue to be, conducted on the basis of actual purchase orders received from time to time. As such, developments adverse to our major customers or their products, or the failure of a major customer to pay for our products or services on a timely basis or at all, could have an adverse effect on us. There is no assurance that our major customers will continue to do business with us at the same or increased levels or at all. If any of our major customers were to cease to conduct business with us and we were unable to expand our business with existing customers or attract new customers, we may experience slowed growth or no growth at all and our business, financial condition and results of operations would be materially and adversely affected.

Further, any significant changes in the operations or financial condition of any of our major customers, including liquidity problems, changes in ownership, restructuring, bankruptcy or liquidation could cause us to limit or discontinue business with that customer, or require us to assume more credit risk relating to receivables from that customer, which could have a material adverse effect on our business, financial condition and results of operations.

Cessation of government preferential tax scheme may adversely affect our financial performance

Singapore government provided various grants and schemes, such as PIC Scheme to encourage business organisations to improve productivity. The qualifying conditions to claim tax deductions under the PIC Scheme are as follows: (i) the company carries on active business operations in Singapore; and (ii) the company has incurred qualifying expenditure (i.e. capital expenditure incurred on the acquisition of PIC Scheme related information technology and automation equipment) and such company is allowed to enjoy 400% tax deduction during the basis period of qualifying year of assessment. For the three years ended 31 December 2017, our Group incurred certain qualified capital expenditure of approximately S\$1.4 million, S\$0.1 million and S\$1.0 million, respectively, mainly including acquisition of laser cutting machines, welding machines and milling machines, which brought related tax incentives amounted to approximately S\$1.0 million, S\$72,000 and S\$0.7 million under the PIC Scheme for each of the years ended 31 December 2015, 2016 and 2017, respectively. Since the PIC Scheme will expire in year of assessment 2018 and there is no assurance that similar grants or preferential tax schemes after the expiry of the PIC Scheme will be provided by the Singapore government, our financial performance is expected to be adversely affected as we will be required to pay more tax.

RISK FACTORS

There is a risk that our customers may stop or reduce their subcontracting of items that we manufacture

Current and prospective customers continuously evaluate our capabilities against other precision engineering service providers as well as against the merits of manufacturing products themselves. Some of our customers may have the in-house ability to design or manufacture the products we produce and they may choose to design and manufacture products internally rather than subcontract these functions to external providers such as us. Our business would be adversely affected if our customers and prospective customers decide to perform some or all these functions internally. Similarly, we depend on new business opportunities to grow our revenues, and our business would be adversely affected if we are not successful in gaining additional business from these opportunities or if our customers and prospective customers do not subcontract additional manufacturing business or reduce such subcontracting.

The principal customers of our customers who are contract manufacturers may prefer other suppliers than us

During the Track Record Period, our customers include contract manufacturers, who manufacture products, in whole or in parts, in accordance with the specifications of their principal customers, under whose brand name the products are sold. Although we were considered a preferred supplier by some of these principal customers, there is no assurance that these principal customers will continue to give preference to us over other suppliers. If they decide to change their preferred suppliers and engage other suppliers through their contract manufacturers, our business, financial condition and results of operations would be adversely affected.

We do not enter into long term agreement with our customers, which makes it difficult for us to schedule production accurately and achieve maximum efficiency of our manufacturing capacity

During the Track Record Period, we plan our production and inventory levels based on production forecasts and purchase orders of our customers, as well as our internal assessments. However, since our customers do not commit to long-term contracts, they may deviate from the production quantities or production schedule from the production forecast. The volume and timing of sales to our customers may vary due to various factors, such as (i) variation in demand for or discontinuation of our customers' products; (ii) changes in our customers' manufacturing strategies; (iii) our customers' attempts to manage their inventory; (iv) design changes; and (v) acquisitions of or consolidation among customers.

The variations in volume and timing of sales make it difficult to schedule production and optimise utilisation of production capacity. This uncertainty may require us to incur additional expenses in order to meet an unexpected increase in customer demand, potentially placing a significant burden on our resources. Additionally, an inability to respond to such increases may cause customer dissatisfaction, which may negatively affect our customers' relationships with us.

RISK FACTORS

Further, in order to secure adequate production scale, we may make capital investments in advance of anticipated customer demand. Since fixed costs make up a large proportion of our total production costs, a reduction in customer demand can have a significant adverse impact on our gross profits and operating results.

Our business depends on a stable and adequate supply of materials and subcontracting services

During the Track Record Period, our suppliers primarily include suppliers of material and subcontractors. The success of our business depends on our ability to obtain sufficient quantities of quality material and subcontracting services on commercially acceptable terms and in a timely manner. For the three years ended 31 December 2017, our largest supplier for the corresponding year amounted to approximately 8.3%, 9.7% and 11.9% of our total purchases, respectively, while our five largest suppliers for the corresponding year in aggregate amounted to approximately 33.3%, 31.9% and 40.6% of our total purchases, respectively.

The ability to source sufficient material and subcontracting services with quality at competitive prices in a timely manner is crucial to our success. Such ability allows us to meet our production requirements while managing our costs. If, for whatever reasons, any of our major suppliers of material and subcontractors cease to supply us with a sufficient amount of material and subcontracting services in a timely manner or at commercially reasonable terms, it could cause disruption in our supplies and we may experience material production delays, and our total purchases may increase. In any of these events, our business, financial condition, results of operations and prospects could be materially adversely affected.

Fluctuations in prices of labour cost and materials could negatively impact our operations and may adversely affect our profitability and we may not be able to pass on our increased costs to our customers

Our direct labour costs consist primarily of wages and salaries, other allowances and welfares. For the years ended 31 December 2015, 2016 and 2017, our direct labour costs amounted to approximately S\$4.6 million, S\$3.1 million and S\$5.0 million, respectively. In the event that there is any significant increase in the staff costs, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

During the Track Record Period, we generally procured material including sheet metal and standard parts for the production of our customised sheet metal products. For the prices and price fluctuation for our materials in the market during the Track Record Period, please refer to the section headed “Industry overview – Overview of the metal fabrication industry in Singapore” in this prospectus.

Based on the Ipsos Report, prices for mild steel sheets, aluminium and EG plate are forecasted to maintain and grow at CAGRs of approximately 5.7%, 1.8% and 1.9%, respectively, from 2018 to 2022. If the price of our materials supplies substantially increases, we may incur

RISK FACTORS

additional costs to acquire sufficient quantity of these materials to meet our production needs. In addition, if we cannot identify alternative sources of quality materials when needed, at acceptable prices or with the required quantity and quality, or at all, the resulting loss of production volume may materially and adversely affect our ability to deliver products to our customers in a timely manner, or at all, and therefore our business, financial condition, results of operations and prospects could be materially and adversely affected. The impact of any volatility in the prices of materials we rely on or the reduction in the demand for certain products caused by such price volatility of materials could result in a loss of revenue and profitability and adversely affect our results of operations.

We may not be able to maintain our engineering, technological and manufacturing process expertise

The markets for our business are characterised by rapidly changing technologies and evolving process developments. As such, we have continuously acquired machineries to optimise our production capability, efficiency as well as accuracy. For details of our production facilities, please refer to the section headed “Business – Our production and production facilities” in this prospectus.

There is no assurance that we will develop the capabilities required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment, inventory or processes obsolete or uncompetitive. We may have to acquire new technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require us to incur significant expense and capital investment, which could reduce our margins and affect our operating results. Besides, if we were to establish or acquire new facilities, we may not be able to maintain or develop the relevant engineering, technological and manufacturing process expertise due to a lack of trained personnel, effective training of new staff or technical difficulties with machinery.

Our failure to participate and adapt to our customers’ changing technological needs and requirements, or to hire and retain a sufficient number of engineers and ability to maintain our engineering, technological and manufacturing expertise may have a material adverse effect on our business operation.

A material disruption of our operations could adversely affect our business

Our production facilities are subject to operation risks, such as the breakdown or failure of our major equipment, power supply or maintenance, natural disasters, industrial accidents and the need to comply with the requirements of relevant government authorities, which could therefore lead to temporary, permanent, partial or complete shut-downs in operations.

The occurrence of any of these risks may result in a material adverse effect on our results of operations and if continued, our business prospects. We are required to carry out planned shutdowns of our plants for maintenance, statutory inspections and testing. Our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, whether caused by any of the factors mentioned above or otherwise.

RISK FACTORS

We may fail to maintain an effective quality control system and renew our quality control certifications

Our products require a high degree of skill and precision as safety and quality assurance. As such, the effectiveness of our quality control system is our utmost priority to our customers. The quality and safety of our products require us to adopt a stringent quality control system which involves us placing a significant amount of capital and human resources to ensure that every step of the production process is being strictly monitored. For details of our quality control, please refer to the section headed “Business – Quality control” in this prospectus.

If we are unable to maintain our effective quality control system or to renew our quality control certifications, it may result in a decrease in demand for our products and services which would diminish our competitiveness in the precision metal engineering market. Furthermore, we may risk producing products or providing services that are faulty, unsafe or ineffective and cause us to be liable to various product liability claims or other forms of litigation.

We are subject to risk of currency fluctuations

Our costs are substantially denominated in Singapore dollars, Malaysian ringgit and U.S. Dollars, while our sales are mainly denominated in Singapore dollars and U.S. dollars. During the Track Record Period, our net exchange gain for the two years ended 31 December 2016 amounted to approximately S\$0.5 million and S\$0.3 million, respectively, while our net exchange loss for the year ended 31 December 2017 amounted to approximately S\$0.1 million. For details of our exchange gain or loss, please refer to the section headed “Financial information – Selected income statement items – Other gains/losses, net” in this prospectus.

Any fluctuation in exchange rates may have an adverse effect on our results of operations. Foreign exchange risk to each individual entity within our Group arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity’s functional currency. Any future exchange rate volatility relating to the Singapore dollars and U.S. Dollars may give rise to uncertainties in the value of net assets, profits and dividends. Appreciation of the value of the Singapore dollars against U.S. Dollars may subject us to increased competition from foreign competitors, and depreciation in the value of the Singapore dollars may adversely affect the value of our net assets and earnings and dividends from our subsidiaries in Singapore and Malaysia.

Failure of our customers to pay the amounts owed to us in a timely manner may adversely affect our financial condition and operating results

In general, we grant our customers a credit term ranging from approximately 30 to 90 days. As a result, our trade receivables amounted to approximately S\$2.1 million, S\$2.6 million, S\$4.3 million as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

If any of our customers have insufficient liquidity, we could encounter significant delays or defaults in payments owed to us by such customers, and we may need to extend our payment terms or restructure the receivables owed to us, which could have a significant adverse effect on

RISK FACTORS

our financial condition. Any deterioration in the financial condition of our customers could affect our customers' ability to pay our receivables in a timely manner or at all or result in customers going into bankruptcy or reorganisation proceedings, which will increase the risk of uncollectible receivables.

Taxation authorities could challenge our allocation of taxable income which could increase our consolidated tax liability

During the Track Record Period, we have carried out certain intra-group transactions. For details, please refer to "Business – Legal proceeding and compliance – Compliance matters – Intra-group transactions" of this prospectus. We expect that such arrangements will continue in the foreseeable future. We have determined transfer prices that we believe are the same as the prices that would be charged by unrelated third parties dealing with each other on an arms' length basis.

However, there is no assurance that tax authorities reviewing such arrangements would agree that we are in compliance with transfer pricing laws, or that such laws will not be modified. In the event an authority of any relevant jurisdiction finds that transfer prices were manipulated in a way that distorts true taxable income, such authority could require our relevant subsidiaries to re-determine transfer prices and thereby reallocate the income or adjust the taxable income or deduct cost and expense of the relevant subsidiary in order to accurately reflect such income. Any such reallocation or adjustment could result in a higher overall tax liability for us and adversely affect our business, financial condition and results of operations.

We are dependent on key management personnel with relevant expertise

Our Directors believe our success, to a large extent, is attributed to the leadership and contributions of our executive Directors and senior management team, who are collectively responsible for the overall corporate development and business strategies of us as well as implementing business plans and driving our growth. For details of their expertise and experience, please refer to the section headed "Directors and senior management" in this prospectus.

Our key personnel with their extensive experience and business connections in the sheet metal manufacturing industry, are important to our business operation. Although we have entered into service agreements with each of our executive Directors, there is no assurance that we can retain their service or find suitable replacement on reasonable terms in a timely manner, and as a result, the results of operations and business performance may be materially and adversely affected.

Part of our workforce is made up of foreign workers and inability to obtain foreign workers could materially and adversely affect our operations and financial performance

Our business is highly reliant on foreign workers as the local manufacturing labour force is limited and more costly. Supply of foreign labour in Singapore and Malaysia is subject to certain laws and regulations. For details of the relevant laws and regulations, please refer to the section

RISK FACTORS

headed “Regulatory overview” in this prospectus. Any shortage in the supply of foreign workers or any restriction on the number of foreign workers that we can employ for our business, will materially and adversely affect our operations and financial performance. As at the Latest Practicable Date, part of our workforce was made up of foreign workers. Consequently, our operations and financial performance may be adversely affected by the possible shortages in the supply of foreign workers and any increase in cost of foreign labour.

To illustrate, for Singapore, the MOM imposes a quota on the number of foreign workers that a manufacturer can employ. For details, please refer to the section headed “Regulatory overview” in this prospectus. The tightening of such quota could adversely affect our operations and subsequently our business and financial performance. In addition, any changes in policies regarding the countries of origin of foreign workers may affect the supply of foreign labour and cause disruptions to our operations, causing delays in the completion of our productions. The MOM also imposes levy rates for foreign workers. Any increase in FWL will increase our operating expenses and therefore our financial performance will be further affected.

We are required to obtain various licences and permits to operate our business, and the loss of or failure to obtain or renew any or all of these licences and permits could adversely affect our business

In accordance with the Singapore and Malaysia laws and regulations, we are required to obtain and maintain various licences and permits in order to commence and operate our business at each of our production facilities. For details of our licences, please refer to the section headed “Business – Our licences and certifications” in this prospectus.

We are required to comply with applicable production safety standards in relation to our production processes. We are also subject to various environmental laws and regulations. For details of the relevant laws and regulations, please refer to the section headed “Regulatory overview” in this prospectus. Failure to obtain or renew our licenses and permits could require us to temporarily or permanently suspend some or all of our production activities, which could disrupt our operations and adversely affect our business.

Leakage of confidential technical data could damage our reputation and substantially harm our business and results of operations

During the course of our operations, we are routinely exposed to confidential information which our customers require us to maintain strict confidentiality, including highly sensitive technological know-how. We rely on the security of our computer system as well as the integrity of our staff and physical security of our premise to preserve confidentiality of these information. Our servers may be vulnerable to hacking, data theft and subsequent leakage of confidential information to unauthorised third parties. It is our contractual obligations to our customers to preserve confidentiality of information. We may be exposed to liabilities, such as complaints, claims, legal actions initiated by our customers or potential termination of business relationships arising from any leakage or loss of data. Our reputation, business and financial position may be materially and adversely affected as a result.

RISK FACTORS

We may be subject to liability in connection with industrial accidents at our manufacturing facilities

Due to the nature of our operations, we are subject to the risks of our employees being exposed to industrial-related accidents at our production facilities. There is no assurance that industrial accidents, whether due to malfunctions of machinery or other reasons, will not occur in the future at our production facilities. Under such circumstances, our business and financial performance will be adversely affected.

In such an event, we may be liable for loss of life and property, medical expenses, medical leave payments and fines and penalties for violation of applicable Singapore and Malaysia laws and regulations. Any of the foregoing could adversely affect our business, financial condition and results of operations.

Our operations may be affected by adverse weather conditions, natural disasters, acts of God or wars and terrorism

Our business operations are vulnerable to adverse weather. If the adverse weather persists or natural disasters occur, we may be prohibited from performing work at our production facilities, and as a result, we may not be able to meet the specified time schedule. If we have to stop our operations during adverse weather or natural disaster, we may continue to incur operating expenses such as labour costs and our revenue and profitability are reduced.

Besides, we are subject to other acts of God which are beyond our control. Acts of wars and terrorism may also injure our employees, cause loss of lives, disrupt our operations and destroy our works performed. Such incidents adversely affect our revenue, costs, financial conditions and growth potential. It is also difficult to predict the potential effect of these incidents and their materiality to the business of our customers and suppliers.

If our production is delayed and the terms and conditions do not accommodate for such delays or our customers do not grant us with a sufficient time extension for the completion, we may be liable to pay for any liquidated damages to our customers according to the relevant contract terms, which will adversely affect our financial position.

Dividends declared in the past may not be indicative of the future dividend

For the three years ended 31 December 2017, FSM Technology (SG) and Fine Sheetmetal Technologies had, in aggregate, declared dividends of approximately S\$1.4 million, nil and S\$6.8 million, respectively. As at 31 December 2017, S\$1.4 million and S\$4.7 million of the dividends declared had been paid by FSM Technology (SG) and Fine Sheetmetal Technologies respectively and we financed the payment of such dividends by our internal resources. The remaining S\$2.1 million of dividend payable from Fine Sheetmetal Technologies will be paid out before the Listing. For details, please refer to the section headed “Financial information – Dividends” in this prospectus.

RISK FACTORS

After the Listing, our Shareholders will be entitled to receive dividends only when declared by our Board. Historical dividend payments should not be regarded as an indication of our future dividend policy. The payment and the amount of any future dividend will be at the Board's discretion. Such future dividend amount and payment will depend on, among others, our result of operation, financial condition prospects and any other factors our Board may deem relevant. Our Board reserves the right to change our plan on the dividends payment and there is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in future.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

There is no guarantee that regulatory requirements applicable to the industry in which we operate will not change in the future

Our operations are subject to laws and regulations that relate to matters such as employment of foreign workers, workplace health and safety, and environment. There is no guarantee that regulatory requirements applicable to our operation will not change in the future. Any changes in applicable laws and regulations may result in time-consuming and costly changes to our risk management and internal control systems and may increase our cost and burden in order for us to comply with them, thereby materially and adversely affecting our business and financial position and prospect.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. There is no assurance that an active trading market for our Shares will develop or sustained after the Share Offer. In addition, there is no assurance that our Shares will trade in the public market at or above the Offer Price subsequent to the Share Offer. The Offer Price for the Shares is expected to be fixed by the Sole Bookrunner and us, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

The trading price and volume of our Shares may be volatile, which may result in substantial losses for our investors

The trading price of our Shares may be volatile and may fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares, changes in securities analysts' (if any) estimates of our financial performance, investors' perceptions of us and the general investment environment, changes in laws, regulations and taxation systems

RISK FACTORS

which affect our operations, and general market conditions of the securities markets in Hong Kong. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of key personnel, may cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Further, there will be a gap of several days between pricing and trading of the Offer Shares. The Offer Price of our Shares is expected to be determined on the Price Determination Date while our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date and hence are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

Future disposal or perceived disposal of a substantial number of our Shares by our major Shareholders in the public market may materially and adversely affect the prevailing market price of our Shares

Disposal of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception that disposal may occur and adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders will not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

Investors may experience dilution if we issue additional Shares in the future

Our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance our operation or business expansion or new development. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

RISK FACTORS

The Sole Bookrunner is entitled to terminate the Underwriting Agreements

Prospective investors should note that the Sole Bookrunner (for itself and on behalf of other Underwriters) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

Investors may experience difficulties enforcing their shareholders’ rights because our Company was incorporated in the Cayman Islands, and the protection of minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company was incorporated in the Cayman Islands and its affairs are governed by the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on the protection of minority Shareholders is set out in Appendix IV to this prospectus.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Share Offer

We strongly caution our investors not to rely on any information contained in press articles or other media regarding the Share Offer and us. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information to the press or media and do not accept any responsibility for such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecasts and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, statistics and data presented in the section headed “Industry overview” and elsewhere in this prospectus relating to the industries in which we operate have been derived from various publications and industry-related sources prepared by government officials or

RISK FACTORS

independent third parties. We believe that the sources of the information are appropriate sources for such information, and our Directors and the Sponsor have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Directors, the Sponsor nor any party involved in the Share Offer has independently verified, or make any representation as to, the accuracy of such information and statistics. We cannot assure that the statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Company Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Lead Managers, the Co-Lead Manager, the Sole Bookrunner, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section headed "Structure and conditions of the Share Offer" and in the related Application Forms. The Listing is sponsored by the Sole Sponsor and the Share Offer is lead managed by the Sole Bookrunner, the Joint Lead Managers and the Co-Lead Manager. The Public Offer is fully underwritten by the Public Offer Underwriters and Placing is expected to be fully underwritten by the Placing Underwriters.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in Singapore, Malaysia, the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

Prospective applicants for the Offer Shares should consult their financial advisors and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG SHARE REGISTRAR AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong branch register of members to be maintained by Tricor Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by our Company's principal share registrar in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sole Sponsor, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

ROUNDING

Any discrepancies in any table between totals and sum of amounts listed therein are due to rounding.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer".

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and on the related Application Forms.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about Monday, 16 July 2018. The Shares will be traded in board lots of 5,000 Shares each.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

CURRENCY TRANSLATIONS

Unless otherwise specified, conversion of US\$ into HK\$, S\$ into HK\$ and RM into S\$ in this prospectus is based on the exchange rate set out below (for illustration purposes only):

US\$1.00: HK\$7.80

S\$1.00: HK\$5.90

RM3.00: S\$1.00

No representation is made that any amounts in US\$, S\$, HK\$ and RM can be or could have been converted at the relevant dates at the above exchange rate at any other rate or at all.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Share Offer, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. The principal business operations and office of our Group were primarily located, managed and conducted in Singapore, and our senior management members were based in Singapore and Malaysia throughout the Track Record Period. For the purpose of the proposed Listing, our Company will establish a principal place of business in Hong Kong and register as a non-Hong Kong company under Part 16 of the Companies Ordinance before the Listing. However, all the executive Directors are not Hong Kong residents or not based in Hong Kong. Our Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Listing Rules.

As a result, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules, on the following conditions to ensure that regular communication is maintained between the Stock Exchange and our Company:

1. our Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. Our Company will appoint Ms. Cheng Florence Ga Sui, the company secretary of our Company, who is ordinarily resident in Hong Kong, and Mr. Toe, as the two authorised representatives of our Company. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by their respective mobile phone number, office phone number, email address and facsimile number. Each of the two authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange;
2. both of the authorised representatives of our Company will have means to contact all members of the Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors and senior management team for any matters;
3. to enhance the communication between the Stock Exchange, the authorised representatives and the Directors, our Company will implement a policy whereby (a) each executive Director will have to provide his/her respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the authorised representatives; (b) each executive Director will endeavour to provide valid phone number or means of communication to the authorised representatives when he/she is traveling; and (c) each Director will provide his/her mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange and notify the Stock Exchange from time to time of any changes thereof;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

4. our Company shall promptly inform the Stock Exchange of any changes on the authorised representatives and/or the compliance adviser in accordance with the requirements of the Listing Rules;
5. our Company will appoint a compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will have access at all times to our authorised representatives, Directors and senior management to ensure that they are in a position to provide prompt responses to any query or request from the Stock Exchange in respect of our Company and will act as an additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules; and
6. each of the Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Toe Tiong Hock	12 Cheng Soon Garden Singapore 599792	Singaporean
Ms. Wong Yet Lian	12 Cheng Soon Garden Singapore 599792	Singaporean
Ms. Lim Siew Choo	No. 36 Jalan Ehsan Jaya 2/3 Taman Ehsan Jaya 81800 Ulu Tiram Johor	Malaysian
<i>Independent non-executive Directors</i>		
Mr. Ng Hung Fai Myron	Flat F, 28/F, Tower 6 Sorrento 1 Austin Road West Kowloon Hong Kong	Canadian
Mr. Bau Siu Fung	Flat B, 17/F Mei Foo Sun Chuen 102 Broadway Street Kowloon Hong Kong	Chinese
Prof. Pong Kam Keung	Flat E, 13/F, Block 29 Laguna City 6 East Laguna Street Kowloon Hong Kong	Chinese

Please refer to the section headed “Directors and senior management” in this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Sunfund Capital Limited

A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity as defined under the SFO
Unit 2620, 26th Floor
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Sole Bookrunner

Koala Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
Units 01–02, 13/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Joint Lead Managers

Koala Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
Units 01–02, 13/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Supreme China Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity as defined under the SFO
Suites 2701–2, 27/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Yellow River Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity as defined under the SFO

Unit D, 4/F
Trust Tower
68 Johnston Road
Wan Chai
Hong Kong

Co-Lead Manager

Sunfund Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO

Unit 702-3, 7/F
100 Queen's Road Central
Hong Kong

Underwriters

Koala Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO

Units 01-02, 13/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Supreme China Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity as defined under the SFO

Suites 2701-2, 27/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Yellow River Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity as defined under the SFO

Unit D, 4/F
Trust Tower
68 Johnston Road
Wan Chai
Hong Kong

Sunfund Securities Limited

a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO

Unit 702-3, 7/F
100 Queen's Road Central
Hong Kong

Financial adviser to our Company

Grande Capital Limited

A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity as defined under the SFO

Room 1204B, 12/F
Tower 2, Lippo Centre
89 Queensway
Admiralty
Hong Kong

Legal advisers to our Company

As to Hong Kong laws

Benny Pang & Co

Solicitors, Hong Kong

27th Floor
100QRC
100 Queen's Road Central
Central
Hong Kong

As to Singapore laws

Rajah & Tann Singapore LLP

9 Battery Road
#25-01
Singapore 049910

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Malaysia laws

Christopher & Lee Ong

Level 22 Axiata Tower
No. 9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala
Lumpur Malaysia

As to Cayman Islands laws

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal advisers to the Sole Sponsor
and the Underwriters**

David Fong & Co.

Solicitors, Hong Kong
Unit A, 12th Floor
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers

Certified Public Accountants
22/F
Prince's Building
Central
Hong Kong

Property valuer

Ravia Global Appraisal Advisory Limited

Unit B, 7/F
Chang Pao Ching Building
No. 427-429 Hennessy Road
Wanchai
Hong Kong

Industry consultant

Ipsos Pte. Ltd.

3 Killiney Road
#05-01 Winsland House 1
Singapore 239519

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Compliance adviser

Sunfund Capital Limited
Unit 2620, 26th Floor
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Receiving Bank

**Industrial and Commercial Bank of China
(Asia) Limited**
33/F
ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Singapore	12 Tuas Link 1 Singapore 638595
Principal place of business in Hong Kong registered under Part 16 of the Company Ordinance	Unit B, 17/F United Centre 95 Queensway Hong Kong
Company's website	www.fsmtech.com <i>(Note: information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. Cheng Florence Ga Sui HKICS Room 21, 2/F, Block C Phase 1, Ming Yuen Mansions North Point Hong Kong
Authorised representatives	Ms. Cheng Florence Ga Sui HKICS Room 21, 2/F, Block C Phase 1, Ming Yuen Mansions North Point Hong Kong Mr. Toe Tiong Hock 12 Cheng Soon Garden Singapore 599792
Audit committee	Mr. Bau Siu Fung (<i>Chairman</i>) Mr. Ng Hung Fai Myron Prof. Pong Kam Keung
Remuneration committee	Prof. Pong Kam Keung (<i>Chairman</i>) Mr. Bau Siu Fung Ms. Wong Yet Lian
Nomination committee	Mr. Toe Tiong Hock (<i>Chairman</i>) Mr. Ng Hung Fai Myron Prof. Pong Kam Keung

CORPORATE INFORMATION

**Principal share registrar and
transfer office**

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong share registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal banker

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

INDUSTRY OVERVIEW

The data and information presented in this section and elsewhere in this prospectus, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Ipsos, which was commissioned by us. Our Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. Our Company has no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager, any of the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Share Offer. No representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on the information in this section.

THE IPSOS REPORT

We commissioned Ipsos, an independent market research consulting firm, to conduct a comprehensive research and an analysis of, and to report on, the metal fabrication industry in Singapore. A total fee of S\$69,550 was charged by Ipsos for the preparation of the Ipsos Report. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,600 personnel worldwide across 89 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the metal fabrication industry in Singapore. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research (or secondary research); and (ii) primary research, including interviews with leading industry participants, key stakeholders and industry experts in Singapore, etc.

Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy.

All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Ipsos developed its estimates and forecasts on the following principal bases and assumptions:

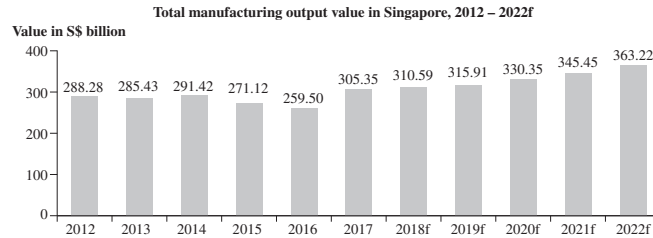
- (i) it is assumed that the global economy remains a steady growth across the forecast period; and
- (ii) it is assumed that the social and political environments of Singapore will remain stable during the forecast period for the sustained development of the metal fabrication industry, as well as the manufacturing industry as a whole, in Singapore.

OVERVIEW OF THE MANUFACTURING INDUSTRY IN SINGAPORE

In 2017, the total manufacturing output value in Singapore grew at a CAGR of approximately 1.16% from S\$288.3 billion in 2012 to approximately S\$305.4 billion in 2017, primarily driven by its electronic cluster and firm demand for the country's semiconductor

INDUSTRY OVERVIEW

exports. Beyond 2018, the manufacturing sector demand is expected to be optimistic, supported by the strong demand for latest and advance technological tools. In addition, the precision engineering cluster which relies heavily on global growth trends is likely to continue to benefit from its steady expansion in global market. To further support productivity and output efficiency for the manufacturing industry in Singapore, the government introduced a series of integrated roadmaps in its effort to drive industry transformation through its S\$4.5 billion Industry Transformation Programme. Under this programme, 23 industries classified under 6 different clusters (with manufacturing as one of the 6 clusters identified) will be developed under each Industry Transformation Maps (ITMs). As such, Ipsos forecasts the manufacturing output value in Singapore to increase at a steady CAGR of approximately 3.99% beyond 2018 to reach approximately S\$363.2 billion by the end of 2022.



Notes: The letter “f” denotes forecast figures

Sources: Economic Development Board (EDB); SINGSTAT; Ipsos analysis

OVERVIEW OF THE METAL FABRICATION INDUSTRY IN SINGAPORE

1. General description of metal fabrication works

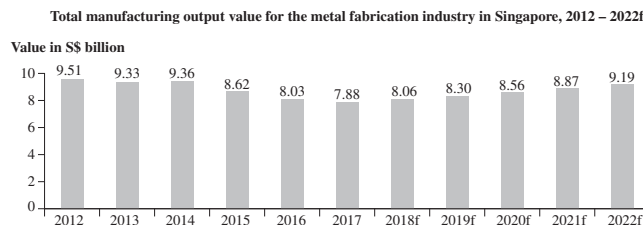
Metal fabrication is essentially one of the most important industries under the manufacturing industry as a whole as its process is used to produce many gadgets at home as well as machinery for most industries. Metal fabrication works generally involve the design and assembly of products that are made from materials such as aluminium, steel, brass, copper or other alloys used in various industries, of which the process takes a degree of practice and skill to master and the machinery involved are usually expensive and large.

Sheet metal fabrication

Sheet metal fabrication in principal is using sheet metal to produce structures, frames of machines, modular and components for various applications through the general metal fabrication processes. Sheet metal, a widely used material in the metal fabrication process, can generally be cut, bent, stretched and shaped to nearly any shape and the size of these sheet metal parts ranges from the smallest components used in the semiconductor industry to large frames used in airplane frames for the aircraft industry. Examples of metal fabrication processes for sheet metal include bending, punching, laser cutting and welding.

2. Recent outlook for the metal fabrication industry in Singapore

In 2017, total manufacturing output value for the metal fabrication industry in Singapore contracted at a CAGR of approximately 3.69% from S\$9.5 billion in 2012 to approximately S\$7.9 billion in 2017. This contraction was primarily due to the decline in the output values of biomedical manufacturing and transportation engineering cluster, of which subsequently affected the demand for metal fabrication over 2012 to 2017.



INDUSTRY OVERVIEW

Notes: The letter “f” denotes forecast figures.

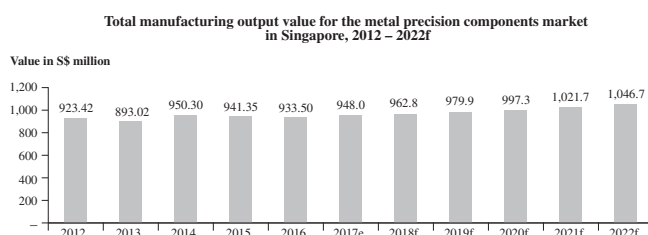
Sources: Economic Development Board (EDB); SINGSTAT; Ipsos analysis

From 2018 onwards however, the trend of manufacturing output for metal fabrication works in Singapore is expected to strengthen based on the anticipated positive growth in the overall manufacturing industry. The sector is also expected to benefit from the continued firm demands for semiconductor products globally and the gradual expansion and demand for precision engineering products in the region. Further, under the Industry Transformation Maps (ITM) initiative by the government, precision engineering, under the manufacturing cluster has been identified as one of the key growth areas for further development as it is a critical enabler for Singapore’s manufacturing sector, supporting the production of various complex components needed in industries ranging from electronics, semiconductors, aerospace, to oil & gas and medical devices. On a global front, the metal fabrication industry is expected to be fuelled by continued investments in electronics and metal processing, the growing aluminium consumption, semiconductor-related industries and aerospace demand. As such, Ipsos forecasts the manufacturing output value for metal fabrication works in Singapore to increase at CAGR of approximately 3.34% beyond 2018 to reach approximately S\$9.2 billion by the end of 2022.

Metal precision components market in Singapore

Precision engineering is a discipline of designing a machine, instrument or product with high level of accuracy, repeatedly, in speed, stability and in many orders. It requires attention to detail and knowledge for careful application of measurements, control and fabrication methods. In Singapore, precision engineering is a critical enabler for the manufacturing sector as it supports the production of many complex components of various materials such as metal, plastics and rubber needed in industries ranging from electronics, semiconductors, aerospace, to oil & gas and medical devices.

In 2017, the metal precision components market valued at approximately S\$948.0 million, which grew at a CAGR of approximately 0.53% from 2012, of which growth was primarily attributed to the output expansions in the electronics and precision engineering clusters. This market however is anticipated to grow in line with the overall positive sentiments for the metal fabrication industry as well as the increasing demand for precision engineering products in Singapore beyond 2018. As such, by the end of 2022, the metal precision components market is forecasted to grow at a CAGR of approximately 2.11% to reach approximately S\$1.0 billion.



Notes: The letter “e” denotes estimated figure and the letter “f” denotes forecast figures

Sources: Economic Development Board (EDB); SINGSTAT; Ipsos analysis

3. Number of contractors or establishments in the metal fabrication industry in Singapore

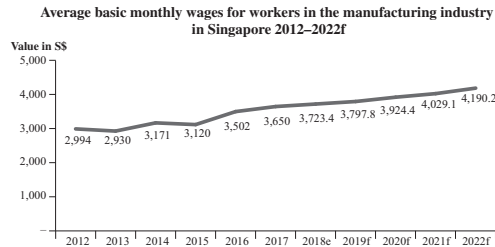
As of 8th February 2018, there were more than 1,200 establishments classified under the SSIC 2015 code for the metal fabrication industry in Singapore. Specifically, less than 220 establishments were classified under the metal precision components market in Singapore.

4. Average basic monthly wages in the Singapore and Malaysia manufacturing industry

On average, the basic monthly wages for local workers in the manufacturing industry in Singapore increased from approximately S\$2,994 monthly in 2012 to an estimated S\$3,650 monthly in 2017, representing a CAGR of approximately 4.04%. Beyond 2018, demand for

INDUSTRY OVERVIEW

skilled local workers is expected to remain high as the country is gearing up to reduce the dependency of foreign workers in Singapore. As such, Ipsos forecast the average basic monthly wage to grow at a CAGR of approximately 3.00% from approximately S\$3,723 monthly in 2018 to about S\$4,190 monthly by the end of 2022.



Notes: The letter “e” denotes estimated figure and the letter “f” denotes forecast figures.

Sources: MOM; Department of Statistics Malaysia (DOSM); Ipsos analysis

In the context of Malaysia, on average, the basic monthly wages for local workers in the manufacturing industry in Malaysia increased from approximately RM1,706 monthly in 2012 to an estimated RM2,269 monthly in 2017, representing a CAGR of approximately 5.87%. Beyond 2018, demand for skilled local workers is expected to remain high as the country launches various initiatives to boost the country’s productivity in the manufacturing sector. As such, Ipsos forecast the average basic monthly wage to grow at a CAGR of approximately 3.50% from approximately RM2,314 monthly in 2018 to about RM2,655 monthly by the end of 2022.



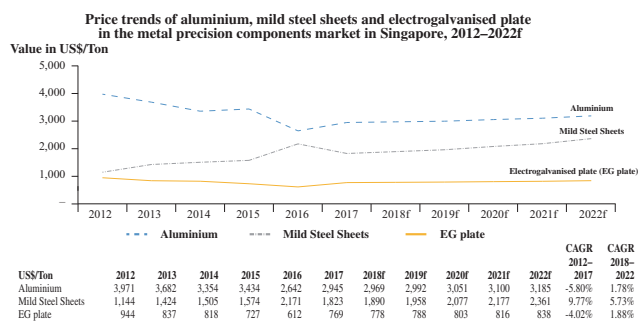
Source: Department of Statistics Malaysia (DOSM); Ipsos analysis

5. Cost of general raw material in the metal precision components market in Singapore

Some standard raw materials used in the metal precision components market works include aluminium, brass, steel and copper. However, for the purpose of this disclosure the following raw materials such as aluminium, mild steel sheets and electrogalvanised plate (in relation to the company’s business) will be depicted to show the trends of prices over 2012 to 2017. Raw materials in Singapore are mostly imported and re-exported for trading purposes. As such, the prices of these raw materials are very much influenced by the dynamics of the global economy. Further metal prices are largely influenced by global production, state of supply, changes in prices, local demand and demand from economies like China and the US. For example, mild steel sheets saw an increased over 2012 to 2017 largely attributed to the changes in iron ore prices globally, while other raw materials such as aluminium and electrogalvanised plate (EG plate) saw a decline mainly due to the unstable demand within the country for the same period.

Beyond 2018, the landscape for raw materials in Singapore is generally expected to remain stable as global production and demand from economies like China and the US are expected to gradually increase. Demand within the country is also expected to remain steady, as the government continues to implement initiatives under its Industry Transformation Programme to enhance productivity and drive growth for the manufacturing industry as a whole. As such, Ipsos forecast prices for mild steel sheets, aluminium and EG plate to maintain and grow at CAGRs of approximately 5.73%, 1.78% and 1.88% respectively from 2018 to 2022.

INDUSTRY OVERVIEW



Notes: The average prices of the raw materials depicted in the table above are based on average import and export prices of these materials in Singapore.

Sources: SINGSTAT; Ipsos analysis

COMPETITIVE LANDSCAPE OF THE METAL PRECISION COMPONENTS MARKET IN SINGAPORE

In 2016, the total market value of the metal precision components market in Singapore was estimated to be approximately S\$933.5 million. For the same year, the Company's revenue recorded approximately S\$12.6 million. As such, based on the Company's revenue reported in 2016, the Group's market share was estimated to be approximately 1.35% in this market for 2016.

As the metal precision components market is fairly fragmented, to estimate the market ranking of the company compared to other comparable companies in the related metal fabrication works segment, a consolidation of metrics was used and these are as follow: (a) establishments with similar business activities as the company (i.e. business activities related to the manufacture of metal precision products); (b) establishments servicing similar end customer segments (i.e. semiconductor industries); (c) the estimated ranking provided by metal fabrication establishments during the interviews conducted by Ipsos (if available and where applicable); (d) total revenue indication (if and where available); (e) the research results from various industry reports, annual reports and news articles; and (f) the research results from various databases such as the Accounting and Corporate Regulatory Authority of Singapore (ACRA). Upon final screening, Ipsos has identified 10 comparable companies for market ranking comparison purposes in Singapore with the company.

Metal precision components establishments in Singapore, 2016

Rank	Comparable competitors	Products and services	Revenue S\$ million (segmented)	% Estimated market share
1	Comparable A	Manufacture of highly complex precision machining and sheet metal components, as well as the assembly and integration of complex modules, systems and equipment for industries such as semiconductor, medical, analytical and industrial automation industries.	28.3	3.03%
2	Our Group	Fabricating sheet metals with focus on precision engineering and precision machining service provider; its products include a combination of customised fine metal products such as frames, modular and assemblies and components for the semiconductor industry.	12.6	1.35%
3	Comparable B	Manufacturing of and trading in precision tungsten, high carbon steel products, precision metal stamping and metal plating activities.	7.0	0.75%
4	Comparable C	Manufacturing of precision metal products, wireforms and stamped parts, prototypes making, tools & die design and fabrication, sheet metal fabrication and mechanical assembly for industries such as semiconductor, aerospace, electronics, healthcare, heavy truck/transportation, renewable energy, telecommunication etc.	4.9	0.53%
5	Comparable D	Provision of sheet metal, machining parts and assembly work; its products include machine console, machine parts, structures, etc.	4.6	0.50%

INDUSTRY OVERVIEW

Rank	Comparable competitors	Products and services	Revenue <i>S\$ million (segmented)</i>	% Estimated market share
6	Comparable E	Machining works, design and build of customised automation equipment & systems, assembly and precision machining.	3.1	0.34%
7	Comparable F	Provision of precision machining and sheet metal fabrication for various industries.	0.9	0.10%
8	Comparable G	Contract manufacturing for precision parts; provision of precision engineering in design, manufacturing of high precision tight tolerance products and services; includes a wide range of products for the semiconductor, connectors, fastener and microelectronics industries.	0.7	0.08%
9	Comparable H	CNC precision automatic lathe machine maker for mass production of high-precision small components for various industries, including electronics, information and telecommunications, and automobile industries.	0.7	0.08%
10	Comparable I	Precision metal machining, precision metal stamping and assembly of products.	0.7	0.08%

Sources: Secondary research; Ipsos interviews and Ipsos analysis

Notes: (a) the estimated revenue for selected comparable companies above are values for domestic market only; (b) the revenues of comparable companies above are computed and segmented with weightage assumptions based on Ipsos analysis, whereby a certain percentage of the selected company's total revenue is applied to represent the related metal fabrication business activities of the comparable company.

The manufacturing industry in Singapore structured with manufacturers or brand owners being serviced by OEMs and contract manufacturers, offering a variety of services from general component manufacturing of rubber products to precision engineering technologies and machining for metal products. In line with the trend of moving towards high-value manufacturing-related activities, “factory-less” goods-producing firms, manufacturers or brand owners have become a more prominent part of Singapore’s manufacturing ecosystem. Manufacturers or brand owners are typically involved in pre-production activities (e.g. R&D, product design etc.) in Singapore, but the actual production (e.g. the physical process of converting raw materials into components, parts or finished goods based on end-customers’ requirements and specifications) tends to be either entirely carried out by a related entity located overseas or outsourced to OEMs or contract manufacturer located in Singapore or another country. As such, the conditions or requirements for different products have a significant impact on the degree of competition within the market.

In the context of the metal precision components market, suppliers or metal fabricators play an important role in the “relationship” between contract manufacturers and brand owners. Traditionally, metal fabricators are usually appointed or nominated by contract manufacturers to fabricate certain components, frames or modular for brand owners. In recent years, brand owners are also observed to appoint or nominate these suppliers or metal fabricators directly from a pool of preferred suppliers or metal fabricators especially for the fabrication of components, frames or modular that require higher or advance technology (i.e. precision engineering). For example, barriers of entry for metal fabricators producing products that require high precision is rather high and is often limited by conditions such as high cost of capital, high cost of equipment, technology know-how and the availability of skilled workers for successful production of end products. This is particularly prevalent in clusters such as semiconductors and electronic clusters in the manufacturing sector. As such, in most cases, brand owners, especially prominent ones in the industry tend to remain with their current appointed suppliers (i.e. metal fabricators) or contract manufacturers unless otherwise (e.g. if other suppliers (i.e. metal fabricators) or contract manufacturers could offer better services, being able to produce higher precision products with better technology, shorter lead time or inventory management and lower rejection rate). Therefore, unless similar suppliers (i.e. metal fabricators) or contract manufacturers can meet the required technology and quality standards specified by the brand owners, it would be a challenge for the brand owners to “switch” from one supplier (i.e. metal fabricator) or contract manufacturer to another purely on cost considerations.

INDUSTRY OVERVIEW

Likewise, as suppliers (i.e. metal fabricators) or contract manufacturers that are appointed by brand manufacturers are often tasked with specific volumes or high requirements for the products to be produced, these suppliers (i.e. metal fabricators) or contract manufacturers may focus their resources to these brand owners only to maintain quality and expectations for products produced. Further, as no one supplier (i.e. metal fabricators) or contract manufacturer can cater across all industry segments with the same set of technology know-how at the same time, it is considered common for a supplier (i.e. metal fabricator) or contract manufacturer to rely heavily on their major customers.

THE METAL PRECISION COMPONENTS MARKET PROSPECTS IN SINGAPORE

1. Market drivers

a. Singapore government's initiatives to improve manufacturing process and output in the country

In Singapore's Budget 2016, the country introduced a series of integrated roadmaps in its effort to drive industry transformation through its S\$4.5 billion Industry Transformation Programme. Under this programme, 23 industries under 6 clusters will be developed under each Industry Transformation Maps (ITMs). The manufacturing sector is amongst the 23 industries contributing significantly to Singapore's economy. Championed by Economic Development Board (EDB) of Singapore, the Manufacturing Industry Transformation Map (ITM) was developed with close partnership with the industry, trade associations, chambers, institutes of higher learning (IHLs), unions and the government with extensive consultation sessions. Following this, the first ITM, the Precision Engineering Roadmap was launched in the fourth quarter of 2016 for the manufacturing industries.

Precision engineering, under the manufacturing cluster has been identified as one of the key growth areas for further development as it is a critical enabler for Singapore's manufacturing sector, supporting the production of various complex components needed in industries ranging from electronics and semiconductors to aerospace, oil & gas and medical devices. One of the key strategies of the Precision Engineering ITM is its aim to shift the industry into new growth areas by growing complementary segments such as Additive Manufacturing, Robotics, Advanced Materials, Sensors, and Lasers & Optics. These segments are expected to grow at an average annual growth rate of around 10% or more due to new demand for their applications. To seize the opportunities in these expected new growth areas, the government has also initiated the \$450 million National Robotics Programme (NRP) and the National Additive Manufacturing Innovation Cluster (NAMIC) that will also spearhead the development and deployment of robotic capabilities and additive manufacturing R&D. As such these initiatives are expected to drive the demand for the manufacturing industry in general, therefore indirectly driving growth and demand for the metal precision components market in Singapore.

b. Singapore's drive for Industry 4.0 (i4.0)

Singapore is amongst the 25 countries best positioned to benefit from the rise and adoption of Industry 4.0 (i40), and the country has been gearing up to adopt the i4.0 model to enable digitalisation and automation of processes to enhance efficiency and long-term competitiveness on the global stage. This new-age approach allows for high-level integration of information, communication and systems by connecting multiple devices and machines at every step and level of the manufacturing process. In November 2017, The Singapore Economic Development Board, EDB launched a set of guidelines to help manufacturers build "smart" factories and to harness the potential of i4.0. Introduced as the Singapore Smart Industry Readiness Index, this tool/guideline comprises three layers. At the top are the three fundamental building blocks of i4.0: Process, Technology and Organization. Under these building blocks are 8 pillars of focus and these pillars then map onto 16 dimensions of assessment, which represent the key components that any organisation must consider. The Index then provides an assessment matrix for each of the 16 dimensions, which companies can use to evaluate their processes, systems, and structures within one to two days. The assessment matrix can also be used as a step-by-step improvement guide, as each dimension provides intermediate steps needed for companies to progress.

INDUSTRY OVERVIEW

To coordinate the i4.0 strategy, the Singapore government has allocated significant time, money and investment into research and development (R&D) projects, developing industry transformation maps and strengthening the workforce's skill sets, to move the industry for quicker adoption. Some of these initiatives include:

- Enabling technological capability development for companies by investing in industry-aligned R&D for robotics, additive manufacturing and technology road mapping at the industry level;
- Driving transformation of industries and enterprises to adopt i4.0 through local research institutes, increasing productivity via automation and developing industry transformation maps; and
- Equipping and enhancing the country's workforce with i4.0 capabilities by providing support through EDB's Job Creation and Capability Development Framework

Manufacturers in the semiconductor and electronics sectors are expected to benefit most positively from the on-going initiative by the government as these manufacturers already have and are starting to adopt automation solutions as part of their drive of i4.0 adoption. As such, continued efforts by the Singapore government are expected to continue to drive demand technological automation especially for precision engineering, and therefore indirectly driving growth and demand for the metal precision components market moving forward.

c. The Singapore government's initiatives to support research and development over the next few years

In 2016, the Singapore government announced on a S\$19.0 billion plan to support the country's research and development (R&D) efforts over the next few years, till 2020 through an initiative called the Research Innovation Enterprise 2020 Plan (RIE 2020). The RIE 2020 seeks to support and translate research activities into solutions that could help address national challenges, building innovation and encouraging technology adoption in companies to drive economic growth through value creation. Under the RIE 2020 plan, the government will prioritise and fund four strategic technology domains where Singapore has its competitive advantages and these are: (i) Advanced Manufacturing and Engineering (AME); (ii) Health and Biomedical Sciences (HBMS); (iii) Services and Digital Economy (SDE); and (iv) Urban Solutions and Sustainability (USS).

For the Advanced Manufacturing and Engineering (AME) domain, the government has allocated about S\$3.2 billion to support technology development and adoption in new growth sectors. Within the Advanced Manufacturing and Engineering (AME) domain, eight key industry verticals have been identified for RIE 2020 for further development, and these are (i) aerospace; (ii) electronics; (iii) chemicals; (iv) machinery & systems; (v) marine & offshore; (vi) precision modules & components; (vii) biologics & pharmaceutical manufacturing; and (viii) medical technology manufacturing.

As such, against this backdrop, manufacturers in the metal fabrication industry (e.g. such as the Group) are expected to benefit most positively from the RIE 2020 plan as R&D and technology play important roles in strengthening the county's existing manufacturing sectors. Manufacturers can leverage on grants supported through the RIE 2020 plan to maximise value creation, integrate innovative solutions to their value chain and to adopt the latest technology to boost productivity. With such continued effort in place by the Singapore government, the growth and demand for manufacturing segments such as precision engineering is expected to thrive, and therefore indirectly driving growth and demand for the metal fabrication industry moving forward.

2. Entry barriers

a. Proven track record and relationship with customers

Metal fabricators or metal fabrication companies/establishments with years of experience, building reliable and skilled workforce are capable of handling complex metal related fabrication works and projects. Such networks and skilled workforce grew over the years with significant investments and management. In addition, timely delivery of projects

INDUSTRY OVERVIEW

and the capability to provide a comprehensive scope of work (e.g. from designing, drawing specifications as well as the ability to undertake complex fabrication processes) would be challenging to emulate and to provide to potential customers without sufficient industry experience. As such, newer industry players will have to compete against industry players who have mature company setup and networks and will likely not be able to develop solid design and installation experiences in a short period.

b. Large capital investment required to be competitive with the current industry players

Established market players over the years have invested significantly in their fleet of machinery/equipment and their workers to sustain existing operations and initiate new ones. These would include investing in machinery such as CNC machines, Laser cut machines, clinching nut machine and training workers on site to maintain its foothold in a highly fragmented industry. Newer industry players will less likely have the proper infrastructure, machinery/equipment, setup and adequate investments in place to compete with the currently established metal fabricators or metal fabrication companies/establishments and will find it difficult to procure contracts with potential customers in the metal precision components market.

c. Possession of a sizeable pool of trained and skilled workers and machinery/equipment

New entrants to the metal precision components market may not be able to attract and retain a sizeable pool of skilled workers or machinery/equipment to cater for the different requirements of customers. As a result, those new entrants may find it difficult to meet the different needs and requirements of their potential customers due to the limitation and inflexibility in their machinery/equipment available and services rendered or lack of trained/experienced on-site workers. As such, new entrants to the metal precision components market may face difficulties in staying relevant in the industry or to gain confidence from potential customers if they do not have a sizeable selection of machinery/equipment or services rendered for customers to consider.

3. Market opportunities

a. Economic development and diversification

Singapore is encouraging economic diversification in areas such as biomedical engineering, electronics, precision engineering, medical sciences and financial services to attract investments into the country. As these industries grow, demand for machining tools, semiconductor and electronic products are expected to increase in tandem thus creating indirect opportunities for the metal precision components market in the country. Opportunities remain positive at large as the government is continuously structuring and developing plans to promote these new industrial areas.

b. Strong competitive global and regional network

The manufacturing industry in Singapore is substantially established and has a solid business platform to serve global clients (e.g. brand owners) at a competitive price as they leverage the relatively low-cost manufacturing facilities in neighbouring Asian countries such as Indonesia, Malaysia and China, to manufacture products of international quality and high standards. The manufacturing industry in Singapore till date has also established a strong global and regional network, with more than 700 offices across Asia connecting to subsidiaries and marketing offices globally. With such a strong global and regional network, the manufacturing industry is able to meet the needs of original equipment manufacturers (OEMs) in a timely and effective manner. This gives opportunities for companies especially related to semiconductor and electronics products of the industry to continue to grow and thus creating indirect opportunities for the metal precision components market in Singapore.

c. Reliability and high standards product requirements of the manufacturing industry in Singapore

Singapore places high importance and standards to ensure products manufactured in the country are able to meet all product requirements of global M&Cs (or brand owners). This is substantially supported by Singapore's strong push for R&D through research

INDUSTRY OVERVIEW

facilities housed in universities and tertiary institutes around the Island. Such R&D infrastructure in Singapore enables companies to innovate and ensure efficiency in the manufacturing process. As such manufacturing companies especially those in the electronics and precision engineering sectors can continue to cater to the growing and changing needs of sectors such as aerospace, semiconductor, automotive and medical technology. Further, due to Singapore's strong emphasis on IP rights, Singapore manufacturing companies are also renowned for being reliable partners. Coupled with a highly-skilled and qualified labour force, Singapore manufacturing companies have expertise across the entire value chain, thus giving rise to opportunities for sub-industries in the manufacturing sector to grow.

4. Potential challenges

a. Regional competition and global economic headwinds

Although the manufacturing industry in Singapore is globally known to be one of the best manufacturing hubs in Asia, its position is subsequently threatened by the growth and entry of other manufacturing hubs and companies from countries like Malaysia and Indonesia. As such, Singapore's manufacturing industry is constantly adapting to competition not only from local but foreign companies at large. Further, Singapore's manufacturing sector continues to face unprecedented challenges amid global headwinds, thus resulting in many companies in Singapore reluctant to change their current operations to maintain their status quo. This is particularly apparent especially in the case of adoption for i4.0. i4.0 adoption is essential for manufacturers competing in international markets. However, many Singaporean manufacturing companies especially those in precision engineering businesses have only implemented a limited level of automation due to economic challenges such as rising cost, lack of trained manpower for operations, competition from lower-cost countries, and higher requirements in turnaround speed and flexibility from global customers. As such regional competition and global economic challenges and headwinds will continue to post potential challenges for the manufacturing industry.

b. Shortage of skilled and trained manpower

The manufacturing industry in Singapore generally faces a shortage of skilled workers, attributable to factors such as the Singapore government's policy measures restricting foreign manpower hiring, the transient employment nature of the manufacturing industry and an ageing working population. Skilled workers are important to the industry, as much of the work involves labour and a more skilled workforce will help with the increase in productivity, maintaining quality as well as lower foreign worker levies. The challenge in hiring skilled and trained manpower in the manufacturing in Singapore is apparent. Citizens in Singapore are generally educated and thus the tendency to avoid low paying jobs and the unwillingness to work in factories is high. The rapid development of i4.0 however will soon change the landscape of workforce in Singapore and simple jobs of operators might not exist anymore with new skills are to be required even for low-end workers. As such, the Singapore workforce may need to be prepared for these changes and mindsets need to be changed. If Singapore is unable to provide suitable qualified graduates and staffs, global manufacturers or brand owners may need to look for other locations that offer such talents or even have open policies for bringing foreign talent into the country. This is a severe challenge and threat to the manufacturing sector in the near future for Singapore as the country might fall behind in crucial developments. Coupled with an ageing Singapore working population, these challenges will become even more intense.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors confirmed that, as at the Latest Practicable Date, to the best of their knowledge, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report or the date of the relevant data contained in the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

REGULATORY OVERVIEW

This section of the prospectus contains a summary of certain laws and regulations currently relevant to our Group's operations and the metal precision components market. Having made all reasonable enquiries and to their best knowledge, our Directors confirm that save as disclosed in the section headed "Business" in this prospectus, our Group has complied with all material applicable laws and regulations in Singapore and Malaysia where our Group operated during the Track Record Period and as at the Latest Practicable Date and has obtained all necessary permits, licences and certificates for our operations. Save as disclosed below, as at the Latest Practicable Date, our business operations are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses incorporated and/or operating in Singapore and Malaysia.

REGULATIONS AND SUPERVISION OF OUR BUSINESS IN SINGAPORE

Employment Act

The Employment Act, Chapter 91 of Singapore ("**Employment Act**") is the main legislation governing employment in Singapore. The Employment Act covers every employee who is under a contract of service with an employer and includes a workman (as defined under the Employment Act) but does not include, *inter alia*, any person employed in a managerial or executive position (subject to the exceptions set out below).

A workman is defined under the Employment Act as including, *inter alia*, (a) any person, skilled or unskilled, who has entered into a contract of service with an employer in pursuance of which he is engaged in manual labour, including any apprentice, (b) any person employed partly for manual labour and partly for the purpose of supervising in person any workman in and throughout the performance of his work.

Part IV of the Employment Act contains provisions relating to, *inter alia*, working hours, overtime, rest days, holidays, annual leave, payment of retrenchment benefit, priority of retirement benefit, annual wage supplement and other conditions of work or service and apply to: (a) workmen earning basic monthly salaries of not more than S\$4,500 and (b) employees (excluding workmen) earning basic monthly salaries of not more than S\$2,500.

Paid public holidays and sick leave apply to all employees who are covered by the Employment Act regardless of salary levels.

Any person employed in a managerial or an executive position (who is generally not regarded as an employee under the Employment Act) who is in receipt of a salary not exceeding S\$2,500 shall be regarded as an employee for the purposes of provisions in the Employment Act relating to, *inter alia*, payment and computation of salaries, powers of the Commissioner for Labour in relation to claims, complaints and investigations into offences under the Employment Act and procedures and regulations governing claims and offences under the Employment Act.

REGULATORY OVERVIEW

Following the amendments to the Employment Act in effect from 1 April 2016, all employers must issue key employment terms (“**KETs**”) in writing to employees covered under the Employment Act. Such employees include employees who: (a) enter into a contract of service with the company on or after 1 April 2016; (b) are covered by the Employment Act and (c) are employed for 14 days or more.

KETs include, *inter alia*, full names of the employer and employee, job title, duties and responsibilities, start date of employment, duration of employment, basic salary, fixed allowances, fixed deductions, overtime pay, leave, medical benefits, probation period and notice period. KETs which are not applicable to specific employees may be excluded from their contracts.

The MOM launched a month-long public consultation exercise on 18 January 2018 to seek feedback on areas being considered in the review of the Employment Act, including the extension of core provisions of the Employment Act, such as public holiday and sick leave entitlements, payment of salary and allowable deductions and redress for wrongful dismissal, to all employees and additional protection for more vulnerable employees. As announced by the Minister of Manpower on 5 March 2018, the Singapore government plans to remove the salary threshold for coverage of core employment provisions in the Employment Act to cover all employees, including all persons employed in a managerial or executive position, except public servants, domestic workers, seafarers and those who are covered separately. In addition, the salary threshold for employees (excluding workmen) under the Employment Act is to be increased from S\$2,500 to S\$2,600. The MOM will seek the approval of the Singapore parliament of the amendments to the Employment Act in the second half of 2018, for implementation by 1 April 2019.

Employment of Foreign Manpower Act

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act, Chapter 91A of Singapore (the “**EFMA**”) and regulated by the MOM.

In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from the MOM, which allows the foreign employee to work for him. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:

- be liable on conviction to a fine of not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and
- on a second or subsequent conviction, in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months, or in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

REGULATORY OVERVIEW

The availability of the foreign workers to the manufacturing industry is also regulated by the MOM through, *inter alia*, the following policy instruments:

- business activity;
- approved source countries;
- quota (or dependency ratio ceiling); and
- imposition of levies.

Please refer to the sections headed “Risk factors” and “ Business – Our employees” in this prospectus for further details.

Business activity

To be considered to be under the manufacturing sector, a company must have a valid factory notification or registration, use machinery to manufacture or produce items from raw materials, and operate in a designated industrial setting area.

Approved source countries

The approved source countries for manufacturing workers are Malaysia, PRC, and North Asian Sources (“NAS”). NAS countries comprise Hong Kong (holders of HKSAR passports), Macau, South Korea and Taiwan.

The minimum age for all non-domestic foreign workers is 18 years old, and all workers can only work up to 60 years of age. In addition, Malaysians must be below 58 years old and non-Malaysians must be below 50 years old. For the manufacturing sector, the maximum number of years a foreign worker can work in Singapore on a work permit is as follows:

Nationality	Type of worker	Maximum period of employment
PRC	Basic skilled (R2)	10 years
PRC	Higher skilled (R1)	18 years
NAS, Malaysia	All	No maximum period of employment

Quota and levies

For the manufacturing sector, the number of foreign workers that employers can hire is limited by the quota or dependency ratio ceiling, and employers pay the requisite levy according

REGULATORY OVERVIEW

to the qualification of the foreign workers employed. The levy rates are tiered so that employers who hire close to the maximum quota will be required to pay a higher levy, and the levy rates are subject to changes as and when announced by the Singapore government.

The quota and levy rates for the manufacturing sector are as follows:

Quota	Basic skilled – Monthly	Basic skilled – Daily⁽¹⁾	Higher skilled – Monthly	Higher skilled – Daily⁽¹⁾
Basic Tier/Tier 1:				
Up to 25% of the total workforce	\$370	\$12.17	\$250	\$8.22
Tier 2:				
Above 25% to 50% of the total workforce	\$470	\$15.46	\$350	\$11.51
Tier 3:				
Above 50% to 60% of the total workforce	\$650	\$21.37	\$550	\$18.09

Note:

- (1) The daily levy rate only applies to work permit holders who did not work a full calendar month. The daily levy rate is calculated as follows: (Monthly levy rate x12) /365 = rounding up to the nearest cent.

The quota for the manufacturing sector is currently set at 60%, which means that the dependency ceiling is currently set at a ratio of one local full-time worker to 1.5 foreign workers. This means that for every full-time Singapore citizen or Singapore permanent resident employed by a company in the manufacturing sector with regular full month Central Provident Fund contributions made by the employer, the company can employ 1.5 foreign workers.

From 1 July 2017, local full-time employees are defined as Singapore citizens or Singapore permanent residents who earn at least S\$1,100 per month. Part-time employees are defined as Singapore citizens or Singapore permanent residents who earn at least S\$550 to below S\$1,100 per month. From 1 July 2018 onwards, the salary threshold to be considered a local full-time employee will be increased to S\$1,200 whilst that for a part time employee will be increase to at least S\$600 to below S\$1,200 per month. For these purposes, two part-time employees count as one full-time employee. The following employees are also not counted when calculating the quota:

- Business owners of sole proprietorships or partnerships; and
- Employees who receive CPF contributions from three or more employers.

REGULATORY OVERVIEW

Certain of our employees who are Singapore citizens or Singapore permanent residents have full-time employment contracts with two of our Singapore subsidiaries as they fulfil multiple functions within the Group. For the purposes of the calculation of our quota, these employees in our Group are considered full-time employees in two of our Singapore subsidiaries as they currently earn at least S\$1,100 per month and do not receive CPF contributions from three or more employers. The quota is calculated on a per entity basis.

Based on the latest information available from the MOM database as at the Latest Practicable Date:

- Fine Sheetmetal Technologies has utilised 26 of its quota balance for foreign workers, comprising 22 work permit holders and 4 S-pass holders;
- FSM Technology (SG) has utilised 15 of its quota balance for foreign workers, comprising 11 work permit holders and 4 S-pass holders; and
- Evercoat Technology has utilised 4 of its quota balance for foreign workers, comprising 4 work permit holders.

Based on the ratio of one full-time local worker to 1.5 foreign workers, the maximum number of foreign workers Fine Sheetmetal Technologies, FSM Technology (SG) and Evercoat Technology can hire is 28, 15 and 6 respectively, which means that 2, 0 and 2 additional foreign workers can be hired by the respective companies based on the dependency ceiling for the manufacturing sector. As at the Latest Practicable Date, FSM Manufacturing Solution (SG) has not employed any local or foreign workers during the Track Record Period.

Employers pay less levy for higher skilled foreign workers. Foreign workers with the following certificates will qualify for the higher skilled worker levy rate:

Type of qualification	Certificates needed
Academic qualifications	Malaysia – Sijil Pelajaran Malaysia (SPM) People’s Republic of China (PRC) – Diploma North Asian sources (NAS) – High school certificates
Skills Evaluation Test (SET)	SET Level 1 or National ITE Certificate conducted by the Institute of Technical Education (ITE)
Workforce Skills Qualification	Composite Assessment for Generic Manufacturing (CGM)

REGULATORY OVERVIEW

Required safety courses

For the manufacturing sector, foreign workers who handle metals and machinery in the metalworking industry must take one of the following safety courses before their work permits can be issued:

- Metalworking Safety Orientation Course (MSOC); or
- Apply Workplace Safety and Health in Metal Work.

Employers should register the foreign workers for the course once they obtain in-principle approval for their work permit applications as the foreign workers are required to take the safety course within two weeks of arriving in Singapore. A work permit cannot be issued to the foreign worker until he has taken the safety course. Employers are responsible for their workers passing the test. If the foreign workers fail the course, they should retake it as soon as possible and are required to pass the course within three months of their arrival or their work permit could be revoked.

Foreign workers in the metalworking industry need to retake and pass the safety course based on these timelines:

If they have worked in the metalworking industry for	They must pass the safety course
Six years or less	Once every two years
More than six years	Once every four years

Employers renewing a work permit must ensure that the foreign worker's safety course certificate has a validity period of more than one month on the day of renewal, otherwise the work permit will not be renewed.

Work Injury Compensation Act

The Work Injury Compensation Act, Chapter 354 of Singapore (“WICA”), which is regulated by the MOM, applies to employees who are engaged under a contract of service or apprenticeship, regardless of their level of earnings. The WICA does not cover self-employed persons or independent contractors. However, as the WICA provides that, where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the subcontractor employer), the principal shall be liable to compensate those employees of the subcontractor employer who were injured while employed in the execution of work for the principal.

The WICA provides that if an employee dies or sustains injuries in a work-related accident or contracted occupational diseases in the course of the employment, the employer shall be liable to pay compensation in accordance with the provisions of the WICA. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain limits stipulated in the WICA.

REGULATORY OVERVIEW

An employee who has suffered an injury arising out of and in the course of his employment can choose to either:

- submit a claim for compensation through the MOM without needing to prove negligence or breach of statutory duty by employer. There is a fixed formula in the WICA on amount of compensation to be awarded; or
- commence legal proceedings to claim damages under common law against the employer for breach of duty or negligence.

Damages under a common law claim are usually more than an award under WICA and may include compensation for pain and suffering, loss of wages, medical expenses and any future loss of earnings. However the employee must show that the employer has failed to provide a safe system of work, or breached a duty required by law or that the employer's negligence caused the injury.

Under the WICA, every employer is required to insure and maintain insurance under approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed him, unless specifically exempted.

Workplace Safety and Health Act

Under the Workplace Safety and Health Act, Chapter 354A of Singapore (“**WSHA**”), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

More specific duties imposed on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations. Some of these duties include taking effective measures to protect persons at work from the harmful effects of any exposure to any bio-hazardous material which may constitute a risk to their health.

In addition to the above, under the WSHA, inspectors appointed by the Commissioner for Workplace Safety and Health (“**CWSH**”) may, *inter alia*, enter, inspect and examine any workplace, to inspect and examine any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found

REGULATORY OVERVIEW

in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is relevant to an investigation or inquiry under the WSHA.

Under the WSHA, the CWSH may issue a stop-work order in respect of a workplace if he is satisfied that (a) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (b) any person has contravened any duty imposed by the WSHA; or (c) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The stop-work order shall, *inter alia*, direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

Under the Workplace Safety and Health (Registration of Factories) Regulations 2008 (“**Factories Regulations**”), any person who desires to occupy or use any premises as a factory falling within any of the classes prescribed under the First Schedule of the Factories Regulations is required to register the premises as a factory with the CWSH, while any person who desires to use or occupy any premises as a factory not falling within such classes shall only be required to submit a notification in the prescribed form to the CWSH before the commencement of operation of the factory. In the latter case, the occupier of the factory is required to inform the CWSH, *inter alia*, of any changes in any of the particulars of the factory, type of work carried out in the factory or any cessation of occupation or use of the factory.

Pursuant to the Workplace Safety and Health (Noise) Regulations 2011 (“**WSHNR**”), the occupier of a workplace must take reasonably practicable measures to reduce or control the noise from any machinery or equipment used or from any process, operation or work carried out by him in the workplace, so that no person at work in the workplace is exposed or likely to be exposed to excessive noise. This may include replacing noisy machinery, equipment, processes, operations or work with less noisy machinery, equipment processes, operations or work, and such other measures as prescribed under the WSHNR. Where it is not practicable to reduce the noise, the occupier of a workplace shall limit the duration of time persons at work are exposed to the noise in accordance with the time limits prescribed in the Schedule under the WSHNR.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations, the employer in a workplace is supposed to, *inter alia*, conduct a risk assessment in relation to the safety and health risks posed to any person who may be affected by his undertaking in the workplace, take all reasonably practicable steps to eliminate or minimise foreseeable risks, implement measures or safety procedures to address the risks, and to inform workers of the same, maintain records of such risk assessments and measures/safety procedures for a period of not less than three years, and submit such records to the CWSH from time to time when required by the CWSH.

REGULATORY OVERVIEW

Please refer to the section headed “Business – Occupational health and safety” in this prospectus.

Radiation Protection Act

The Radiation Protection Act, Chapter 262 of Singapore (“**RPA**”) controls and regulates, *inter alia*, the possession and use of radioactive materials and irradiating apparatus. The RPA provides that no person shall, except under and in accordance with a licence, have in his possession or under his control or use or otherwise deal in any radioactive material or irradiating apparatus.

The RPA also provides that:

- every person who sells any irradiating apparatus shall immediately give notice of the sale to the Director – General of Environmental Protection (“**Director – General**”), together with the name, address and prescribed particulars of the person to whom it was sold, in such form and manner as may be prescribed;
- every person who purchases any irradiating apparatus shall immediately give notice of the purchase to the Director – General, together with the name, address and prescribed particulars of the person from whom it was purchased, in such form and manner as may be prescribed; and
- no person shall dispose of any irradiating apparatus, whether in a working condition or otherwise, without the prior approval in writing of the Director – General.

The licences are issued by the Radiation Protection and Nuclear Science Department under the RPA and its subsidiary legislation, such as the Radiation Protection (Non-Ionising Radiation) Regulations (“**Non-Ionising Radiation Regulations**”) which regulate, *inter alia*, the licences and requirements for the manufacture or dealing with, keeping or possession for use and the import of a consignment of certain controlled irradiating apparatus, such as high power lasers. High power lasers means any laser apparatus from Class 3b and Class 4 based on the classification set out in the Second Schedule of the Non-Ionising Radiation Regulations, being those emitting visible and/or invisible laser radiation with the specified maximum accessible emission levels and those exceeding the accessible emission limits respectively.

The Non-Ionising Radiation Regulations further sets out requirements for high power lasers, including the requirement that every high power laser shall have a protective housing that prevents human access during operation to laser and collateral radiation that exceed the specified accessible emission limits, a safety interlock for each portion of the protective housing which is designed to be removed or displaced during operation or maintenance, a readily available remote control connector, a key-actuated master control and an emission indicator which provides a visible or audible signal during emission of accessible laser radiation in excess of the specified accessible emission limits.

REGULATORY OVERVIEW

Environmental Public Health Act

The Environmental Public Health Act, Chapter 95 of Singapore (“**EPHA**”) regulates, *inter alia*, the disposal and treatment of industrial waste and public nuisances. Under the EPHA, the Director – General of Public Health may, on receipt of any information respecting the existence of a nuisance liable to be dealt with summarily under the EPHA and if satisfied of the existence of a nuisance, serve a nuisance order on the person by whose act, default or sufferance the nuisance arises or continues, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with summarily under the EPHA include any factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety.

Pursuant to the Environmental Protection and Management (Boundary Noise Limits for Factory Premises) Regulations (“**EPMBNLFR**”), the owner or occupier of any factory premises shall ensure that the level of noise emitted from his premises does not exceed the maximum permissible noise levels as set out in the First Schedule to the EPMBNLFR. The permissible noise levels may vary depending on the type of affected premises, which includes noise sensitive premises that require peace and quiet, residential premises, and commercial premises not including factory premises.

Central Provident Fund Act

The Central Provident Fund (“**CPF**”) system is a mandatory social security savings scheme funded by contributions from employers and employees. Pursuant to the Central Provident Fund Act, Chapter 36 of Singapore (the “**CPF Act**”), an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service (save for employees who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception for non-exempted owners). CPF contributions are not applicable for foreigners who hold employment passes, S-passes or work permits. CPF contributions are required for both ordinary wages and additional wages (subject to a yearly additional wage ceiling) of employees at the applicable prescribed rates which is dependent on, *inter alia*, the amount of monthly wages and the age of the employee. An employer must pay both the employer’s and employee’s share of the monthly CPF contribution at the end of each month with a grace period of 14 days. However, an employer can recover the employee’s share of CPF contributions by deducting it from their wages when the contributions are paid for that month.

Personal Data Protection Act 2012

The main data protection rules in the Personal Data Protection Act 2012 (“**PDPA**”) came into full effect on 2 July 2014. The PDPA governs the collection, use and disclosure of personal

REGULATORY OVERVIEW

data by organisations in a manner that recognizes both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose the same for purposes that a reasonable person would consider appropriate in the circumstances.

Under the PDPA, personal data is defined as data, whether true or not, about an individual (whether living or deceased) who can be identified (a) from that data; or (b) from that data and other information to which the organisation has, or is likely to have access. Generally, the PDPA imposes the following obligations on organisations collecting, using or disclosing personal data of individuals (“**relevant persons**”): obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

Companies Act

Finesheet Metal Technology, FSM Technology (S), FSM Manufacturing Solution (SG) and Evercoat, which are wholly-owned subsidiaries of our Company, are private companies limited by shares, incorporated and governed under the provisions of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and its regulations.

The Companies Act generally governs, *inter alia*, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction), declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders’ rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

In addition, members of a company are subject to, and bound by the provisions of the constitution of the company. The constitution of a company provides for, *inter alia*, the objects of the company, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as the rights and privileges attached to the different classes of shares of the company (if applicable).

Singapore taxation

Corporate tax

The prevailing corporate tax rate in Singapore is 17% with effect from Year of Assessment (“YA”) 2010. In addition, the partial tax exemption scheme applies on the first S\$300,000 of normal chargeable income; and specifically 75% of up to the first S\$10,000 of a company’s normal chargeable income, and 50% of up to the next S\$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. Further, companies will be granted a corporate income tax rebate of 50% of the tax payable for YA2016

REGULATORY OVERVIEW

to YA2017, subject to a cap of S\$20,000 for YA2016 and S\$25,000 for YA2017. As announced by the Minister for Finance in the Singapore Budget 2018, companies will be granted a corporate income tax rebate of 40% of the tax payable, subject to a cap of S\$15,000. The corporate income tax rebate will be extended to YA2019 at a rate of 20% of the tax payable, subject to a cap of S\$10,000.

Dividend distributions

(i) One tier corporate taxation system

Singapore adopts the one-tier corporate taxation system (“**One-Tier System**”). Under the One-Tier System, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt (One-Tier) dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

(ii) Withholding taxes

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders. Foreign shareholders are advised to consult their own tax advisors to take into account the tax laws of their respective home countries or countries of residence and the applicability of any double taxation agreement which the relevant tax jurisdiction may have with Singapore.

Goods and services tax (“GST”)

GST in Singapore is a consumption tax that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

Productivity and Innovation Credit Scheme

The Productivity and Innovation Credit Scheme (“**PIC Scheme**”) allows, inter alia, companies with active business operations in Singapore to claim (a) tax deductions and/or allowances, (b) cash payouts, and/or (c) cash bonuses (on a dollar for dollar matching basis) in addition to (a) and/or (b) above, in respect of certain qualifying activities undertaken by such companies, including the acquisition or leasing of certain qualifying equipment and certain types of training of employees, subject to prescribed expenditure caps. Further conditions apply before a company is eligible to make each of such claims, including having to invest in relevant qualifying expenditure and (in the case of the cash payouts and the cash bonuses) meeting the minimum three local employees requirement and (in the case of cash bonuses) investing the minimum qualifying expenditure per year of assessment over the course of three years from YA 2013 to 2015. The PIC Scheme was extended for another three years from YA 2016 to 2018.

REGULATORY OVERVIEW

The PIC Scheme allows 400% tax deductions or allowances on up to S\$400,000 of expenditure per year for qualifying expenditure incurred from the years of assessment 2011 to 2018. The PIC+ scheme is available for qualifying small and medium enterprises (“SMEs”) from YA 2015 to 2018 (“PIC+ Scheme”), which allows qualifying SMEs to enjoy 400% tax deductions or allowances on up to S\$600,000 of expenditure per year for qualifying expenditure incurred. Businesses which invest a minimum of S\$5,000 per YA in qualifying PIC activities will receive a dollar for dollar matching cash bonus of up to S\$15,000 subject to certain conditions (“PIC Bonus”). The PIC Bonus has expired in YA 2015. The qualifying conditions to claim tax deductions are as follows: (a) the company carries on active business operations in Singapore; and (b) the company has incurred qualifying expenditure and is entitled to PIC during the basis period of qualifying YA.

Transfer pricing related regulations

All related party transactions involving Singapore resident taxpayers are required to be on an arm’s length basis. Section 34D of the Singapore Income Tax Act, Chapter 134 of Singapore (“SITA”) specifically stipulates the use of the arm’s length principle for related party transactions. Other than Section 34D, there are other provisions in the SITA which may be used in a transfer pricing context to effectively allow Inland Revenue Authority of Singapore (“IRAS”) to disregard and or vary the terms of related party transactions.

To provide practical guidance to the taxpayer for applying Section 34D of the SITA, the IRAS released Transfer Pricing Guidelines (e-Tax guides) first published on 23 February 2006. These guidelines provide detailed guidance on how the arm’s length principle is to be interpreted in Singapore and amongst others, includes guidance on transfer pricing documentation requirements in Singapore. On 23 February 2018, the IRAS released the (latest) 5th Edition Transfer Pricing Guidelines (“5th Edition Guidelines”). The 5th Edition Guidelines make reference to the following sections of the SITA:

- Section 13(16) of the SITA provides the exact wordings of the definition of ‘related party’.
- Section 34D of the SITA clarifies the application of the arm’s length principle in relation to transfer pricing between related parties.
- The concept or use of the principle is also implied or referred to in various provisions of the SITA, including Sections 32 and 53 of the SITA.

In addition, taxpayers are required to retain transfer pricing documentation for five years from the relevant year of assessment. In the event taxpayers are unable to provide the transfer pricing documentation upon request by IRAS, they may be penalised under the SITA for not complying with the record keeping requirements under the SITA.

The Income Tax (Amendment) Act 2017 made changes to the transfer pricing related provisions within the SITA, including changes to Section 34D as well as inclusion of the new

REGULATORY OVERVIEW

Section 34E in relation to surcharges on transfer pricing adjustments, and Section 34F in relation to transfer pricing documents, which came into effect on 26 October 2017. With effect from YA 2019, tax payers which meet certain conditions are required to prepare the transfer pricing documentation under Section 34F of the SITA consistent with the rules prescribed by the Income Tax (Transfer Pricing Documentation) Rules 2018. Section 34F of the SITA also introduced new specific penalties for the failure to prepare or provide transfer pricing documentation. These regulations on transfer pricing documentation were introduced to give legal effect to the 5th Edition Guidelines. Further, “Qualifying Past TP Documentation” has been explicitly defined in the 5th Edition Guidelines as a measure to reduce taxpayers’ compliance burden. Past transfer pricing documentations have to meet certain conditions in order to support the transfer price in the basis period concerned.

Section 33 of the SITA contains general anti-avoidance rules that allow the IRAS to disregard or vary any arrangement and make such adjustments as it considers appropriate so as to counteract any tax advantage obtained or obtainable under such arrangement. The rules are applicable to any scheme, trust, grant, covenant, agreement, disposition, transaction, as well as the component steps by which the arrangement is carried into effect. The anti-avoidance rules do not apply if the arrangement was carried out for bona fide commercial reasons and the reduction or avoidance of tax was not one of its main purposes.

Section 53(2A) of the SITA is applicable where a non-resident person carries on business with a resident person and, due to the close connection between the parties and to the substantial control exercised by the non-resident person over the resident person, business is conducted in such a way that produces either no profits or less than the ordinary profits which might be expected to arise from that business. In such a case, IRAS may assess and charge the non-resident person tax in the name of the resident person, as if the resident person were an agent of the non-resident person. Where the true amount of the profit is not readily ascertainable, the IRAS has the power to assess tax on a fair and reasonable percentage of the turnover of the business done by the non-resident person through or with the resident person.

The IRAS also has the power, pursuant to Section 72(2)(b) of the SITA, to refuse to accept a tax return as filed and assess tax on a determination of chargeable income to the best of its judgment.

Please refer to the section headed “Financial information – Selected Income Statement Items – Income Tax” of this prospectus for further information.

REGULATIONS AND SUPERVISION OF OUR BUSINESS IN MALAYSIA

Industrial Co-ordination Act 1975 (“ICA”)

The ICA requires manufacturing companies with shareholders’ funds of RM2.5 million and above and engaging 75 or more full time paid employees to obtain a manufacturing licence issued by the Ministry of International Trade and Industry (“MITI”) before engaging in any form of manufacturing activities. Any person who fails to comply with this requirement is guilty

REGULATORY OVERVIEW

of an offence and is liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six (6) months and to a further fine not exceeding RM1,000 for every day during which such default continues.

Applications for manufacturing licences are to be submitted to the Malaysian Industrial Development Authority (“MIDA”), an agency under MITI in charge of the promotion and coordination of industrial development in Malaysia. The manufacturing licence issued by MITI is permanent, subject to revocation at the discretion of MITI if the licensee (i) fails to comply with any condition imposed in the licence; (ii) is no longer engaged in the manufacturing activity in respect of which the manufacturing licence is issued; or (iii) has made a false statement in its application for the manufacturing licence.

Local Government Act 1976 (“LGA”) and Licensing of Trades, Businesses and Industries (Johor Bahru City Council) By-Laws 2016 (“JBCC By-Laws”)

Local authorities are established under the LGA and the respective state ordinances and by-laws. Each local authority is a separate legal entity from the federal or state government or other local authorities. They are responsible for the local affairs based on the powers set by the federal or state government. The LGA empowers every local authority to grant any licence or permit for any trade, occupation or premises and such licence shall be subject to such conditions and restrictions as the local authority may prescribe.

The LGA governs the JBCC By-Laws. The JBCC By-Laws regulates the licensing in relation to trading of businesses and industrial matters carried out in Johor Bahru.

The JBCC By-Laws states that no person shall use any place or premise in the area of Johor Bahru City Council for any activity of trade, business and industry without a valid licence issued by Johor Bahru City Council.

The JBCC By-Laws further states that any person who contravenes any provisions of these JBCC By-Laws commits an offence and shall, on conviction be liable to a fine not exceeding RM2,000.00 or imprisonment for a term not exceeding one (1) year or to both.

Customs Act 1967 (“CA 1967”)

The customs related matters in Malaysia are governed under the CA 1967.

(a) Licensed Warehouse

The Director General of Customs and Excise of Malaysia (“**Director General of Customs**”) may, at his absolute discretion, on payment of such fees as may be fixed by him in each case, grant a licence to any person (“**Licensee**”), and when granted withdraw any licence, for warehousing goods liable to customs duties and any other goods in a place or places specified in such licence.

REGULATORY OVERVIEW

The Licensee shall not store on the licensed premises goods upon which the duty has been paid; or receive back into the licensed premises any dutiable goods which have previously been removed, whether for export or otherwise without first obtaining the permission in writing of the proper officer. Failing which, it shall be an offence and the Licensee shall be liable to a fine not exceeding MYR20,000 or to a term of imprisonment not exceeding five (5) years or to both.

If it appears at any time that in any licensed warehouse or any part thereof there is a deficiency in the quantity of dutiable goods which ought to be found therein, the licensee of such warehouse shall, in the absence of proof to the contrary, be presumed to have illegally removed such goods and shall, without prejudice to any proceedings under the CA 1967, be liable to pay to the proper officer of customs the customs duty leviable on the goods found deficient (provided that if it is shown to the satisfaction of the Director General of Customs that such deficiency has been caused by unavoidable leakage, breakage or other accident, the Director General of Customs may remit the whole or any part of the customs duty leviable on the goods found deficient).

(b) Manufacturing Warehouse Licence

In respect of a warehouse licensed under section 65 of the CA 1967, the Director General of Customs may, at his absolute discretion, on payment of such fees as may be fixed by him in each case, grant an additional licence to the licensee and when granted withdraw any such licence, to carry on any manufacturing process and other operation in respect of the goods liable to customs duties and any other goods.

Any such licence shall be for such period and subject to such conditions as the Director General of Customs may specify in the licence. No goods which have undergone any manufacturing process in the warehouse may be released for home consumption or export without the prior approval of the Director General of Customs.

If such goods are released from the warehouse for home consumption the customs duty thereon shall be calculated on the basis as if such goods had been imported (provided that the Minister may in any particular case exempt any person from the payment of the whole or part of such duty which may be payable by such person on any such goods and in granting such exemption the Minister may impose such conditions as he may deem fit).

Where in the course of any operation permissible to any goods liable to customs duty there is waste or refuse, customs duty shall be remitted on the quantity of goods liable to customs duty in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods which have undergone any manufacturing process (provided that such waste or refuse is destroyed subject to such conditions as the Director General of Customs may impose or duty is paid on such waste or refuse as if it had been imported in that form).

Every omission or neglect to comply with and every act done or attempted to be done contrary to, the provisions of the CA 1967, or any breach of the conditions and restrictions subject to, or upon which, any licence or permit is issued or any exemption is granted under the

REGULATORY OVERVIEW

CA 1967, shall be an offence against the CA 1967 and in respect of any such offence for which no penalty is expressly provided the offender shall be liable to a fine of not exceeding RM20,000 or to imprisonment for a term not exceeding five (5) years or to both.

Street, Drainage and Building Act 1974 (“1974 Act”)

The 1974 Act sets out rules to regulate the activities relating to street, drainage and buildings. Part V of the 1974 Act sets out the rules and regulations with respect to buildings and it is provided in Section 70(27) of the 1974 Act that any person who occupies any building or any part thereof without a certificate of completion and compliance, shall be liable on conviction, to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding ten (10) years or to both. Prior to the amendment of the 1974 Act pursuant to the Street, Drainage and Building (Amendment) Act 2007, which came into force on 12 April 2007, the certificate of completion and compliance was known as the certificate of fitness for occupation.

Factories and Machinery Act 1967 (“FMA”)

The FMA regulates factories and machinery by way of registration and examination of such machinery to ensure the maintenance of health and safety standards, including the welfare of all parties involved.

Section 36(1) of the FMA prohibits a person from installing or causing to be installed any machinery, except with the written approval of an Inspector of Factories and Machinery (“**Inspector**”). Section 34(1) of the FMA provides that every person who occupies or uses any premises as a factory shall: (a) within three (3) months of the date submit to the Chief Inspector of Factories and Machinery (“**Chief Inspector**”) such particulars as may be prescribed; and thereafter (b) within six (6) months of being required so to do by the Chief Inspector submit such further particulars as may be prescribed. No person shall except with the written permission of the Inspector begin to use any premises as a factory until one (1) month after he has served on the Inspector a written notice in the prescribed form.

Any person who contravenes Sections 34(1) and 36(1) of the FMA, shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding two (2) years or to both.

Section 19(1) of the FMA prohibits a person from operating or causing or permitting to be operated any machinery in respect of which a certificate of fitness is required, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA. Regulation 10 of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provides that the owner of every steam boiler, unfired pressure vessel or hoisting machine other than a hoisting machine driven by manual power shall hold a valid certificate of fitness in respect thereof so long as such machinery remains in service.

In the event of any contravention of Section 19(1) of the FMA, the Inspector shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the

REGULATORY OVERVIEW

machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued. Any person who contravenes subsection 19(1) of the FMA shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding three (3) years or to both.

Occupational Safety and Health Act 1994 (“OSHA”)

The OSHA provides a legislature framework to promote standards for safety and health at work. Pursuant to the provisions contained in the OSHA, employers have a duty to ensure, so far as is practicable, the safety, health and welfare at work of their employees. The implementation and enforcement of OSHA is administered by the Department of Occupational Safety and Health, under the Ministry of Human Resources.

The OSHA requires, among others, a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work. Failure to comply shall be guilty of an offence, and shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding one (1) year or to both and, in the case of a continuing offence, to a fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

Environmental Quality Act 1974 (“EQA”)

The EQA is the primary law on pollution control in Malaysia. The EQA controls various aspects of environmental pollution such as air pollution (section 22 of the EQA), noise pollution (section 23 of the EQA), soil pollution (section 24 of the EQA), pollution of inland waters (section 25 of the EQA), pollution caused by oil in the Malaysian waters (section 27 of the EQA), pollution caused by the discharge of waste into the Malaysian waters (section 29 of the EQA) and open burning (section 29A of the EQA). The agency responsible for implementing and monitoring Malaysian’s environmental regulations and policies is the Malaysian Department of Environment (“**DOE**”) and the local environmental authority.

Every omission or neglect to comply with, and every act done or attempted to be done contrary to, the provisions of the EQA or any regulations made thereunder or any breach of the conditions and restrictions subject to, or upon which, any licence is issued under the EQA or any regulations made thereunder shall be an offence against the EQA and in respect of any such offence for which no penalty is expressly provided the offender shall be liable to a fine not exceeding RM10,000 or to imprisonment for a period not exceeding two (2) years or to both.

Employment Act 1955 (“EA”)

The EA regulates all labour relations including contracts of service, payment of wages, employment of women, rest days, hours of work, termination, lay-off and retirement benefits and keeping of registers of employees.

REGULATORY OVERVIEW

Employees who are governed under the EA are those:

- (a) whose wages are RM2,000 and below a month;
- (b) irrespective of amount of wages earned a month, engaged in (i) manual labour, (ii) operation or maintenance of mechanically propelled vehicle operated for the transport of passengers or goods or for reward or for commercial purposes, or (iii) supervises or oversees other employees engaged in manual labour.

For determination of wages in paragraph (a) above, this would not include any payment by way of commission, subsistence allowance and overtime payment.

Employment of foreign employees is governed under Part XIIB of the EA. Section 60K of the EA requires an employer who employs a foreign employee to, within fourteen (14) days of the employment, furnish the Director General of Labour with the particulars of the foreign employee by forwarding the particulars to the nearest office of the Director General of Labour in such manner as may be determined by the Director General of Labour.

Section 99A of the EA provides that any person who commits any offence under, or contravenes any provision of, the EA, or any regulations, order, or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM10,000.

Employment (Restriction) Act 1968 – Revised 2017 (“ERA”)

The ERA provides for the restriction of employment in certain business activities in Malaysia of persons not being citizens and the registration of such persons and for matters connected therewith.

Section 5 of the ERA prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit.

Section 17 of the ERA further provides that any person, who fails to comply with Section 5 shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM5,000 or imprisonment of a term not exceeding one (1) year or both.

Immigration Act 1959/63 (“IA”)

The employment of foreign employees in Malaysia shall also be subject to the IA that regulates immigration matters in Malaysia.

The IA provides that no person other than a citizen shall enter Malaysia unless he is in possession of a valid entry permit or exemption is granted to him pursuant to IA. The IA further provides that a person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid employment pass shall be guilty of an offence

REGULATORY OVERVIEW

and shall on conviction, be liable to fine of not less than RM10,000 but not more than RM50,000 or to a term of imprisonment not exceeding twelve (12) months or to both for each such non-resident employee. The IA also provides that if it is proven that the person has at the same time employed more than five (5) such employees that person shall, on conviction be liable to imprisonment for a term of not less than six (6) months but not more than five (5) years and shall also be liable to whipping of not more than six (6) strokes.

Employees Provident Fund Act 1991 (“EPF Act”)

The EPF Act regulates and requires employees and their employers to contribute towards their retirement savings, and allows workers to withdraw these savings at retirement or for specified purposes before then. The amount is calculated based on the monthly wage of the employee and the contribution rate is based on the wage or salary received by the employee.

Section 43(2) of the EPF Act states that any employer who fails to contribute to the EPF Board on behalf of each of his employee shall be liable to an imprisonment term not exceeding three (3) years or to a fine not exceeding RM10,000 or both.

Employees’ Social Security Act 1969 (“ESSA 1969”) and Employees’ Social Security (General) Regulations 1971 (“ESSGR 1971”)

Social Security Organisation (“SOCSO”) was mandated to administer and enforce the ESSA 1969 and the ESSGR 1971. Through the ESSA 1969 and ESSGR 1971, SOCSO is able to provide free medical treatment, facility for physical or vocational rehabilitation and financial assistance to employees if they have lost their abilities due to accidents or disease that have reduced their abilities to work or rendered them incapacitated.

Section 5(1) of the ESSA 1969 provides that all employees in industries to which the ESSA 1969 applies, irrespective of the amount of wages, shall be insured in the manner provided by the ESSA 1969.

Pursuant to Section 6 of the ESSA 1969, the contribution payable under the ESSA 1969 in respect of an employee shall comprise contribution payable by the employer and contribution payable by the employee and shall be paid to SOCSO. The contributions of the various categories shall be paid at the rates specified in the Third Schedule of the ESSA 1969.

Section 94 of the ESSA 1969 provides that if any person, among others, fails to pay any contribution or any part thereof which is payable by him under the ESSA 1969 or fails to pay within the time prescribed by regulations any interest payable or is guilty of any contravention of or non-compliance with any of the requirements of the ESSA 1969 or the rules or the regulations in respect of which no special penalty is provided, he shall be punishable with imprisonment for a term which may extend to two (2) years, or with fine not exceeding RM10,000, or with both.

REGULATORY OVERVIEW

Goods and Services Tax Act 2014 (“GST Act”)

The GST Act regulates the goods and services tax (“GST”) in Malaysia. The existing standard rate for GST prescribed under the GST is 0%.

Any individual or body corporate who makes a taxable supply for business purposes and the taxable turnover of that supply exceeds the threshold of RM500,000 is required to be registered with the Malaysian Customs Department for GST.

Financial Services Act 2013 (“FSA”)

There are foreign exchange control policies in Malaysia that serve to monitor capital inflows and outflows into and out of the country. The relevant legislation governing foreign exchange controls in Malaysia is the FSA, which is administered by the Controller of Foreign Exchange under the Central Bank of Malaysia, Bank Negara Malaysia (“**Controller**”). The Controller has, under the FSA, issued foreign exchange administration rules (“**FEA Rules**”).

The FEA Rules apply to both resident and non-residents of Malaysia, and the approval of the Controller is required in certain instances. Under Notice 4 of the FEA Rules, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of Ringgit Asset, provided that the repatriation is made in foreign currency. The Controller issued a Supplementary Notice to the FEA Rules which came into effect on 5 December 2016, setting out a set of measures to further facilitate foreign exchange risk management, promote settlement of trade and investment in Ringgit and enhance depth and liquidity of the onshore financial market. Paragraph 4(1)(c) and Part F of Notice 4 were amended as per the Supplementary Notice.

Any person who is not in compliance with any requirement, restriction or condition imposed in granting of the approval by the Controller in relation to any transaction set out under the FEA Rules commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding ten (10) years or to a fine not exceeding RM50,000,000 or to both.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 February 2018. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing and holds the entire interest of our eight subsidiaries, namely Fine Sheetmetal Technologies, Evercoat Technology, FSM Technology (SG), FSM Technologies (MY), FSM Manufacturing Solution (SG), FSM Manufacturing Solutions (MY), FSM Singapore and FSM Malaysia.

BUSINESS DEVELOPMENT

Our Group’s business of sheet metal fabrication was started in 1992 when Fine Sheetmetal Technologies, the first member of our Group, started to provide services of sheet metal fabrication under the leadership of Mr. Toe and Mrs. Toe, the controlling shareholders of our Group. Over the years, we have gradually expanded our business operation. Mr. Toe and Mrs. Toe, together with several independent third parties, incorporated Evercoat Technology in 1996, FSM Technology (SG) in 1997 and FSM Manufacturing Solution (SG) in 2001. Besides, having considered the lower labour and material cost in Malaysia, Mr. Toe and Mrs. Toe, together with Ms. Lim and an independent third party, incorporated FSM Technologies (MY) and FSM Manufacturing Solutions (MY) in 2000 and 2014, respectively.

We endeavour to implement effective controls and processes to ensure we have an effective business operation and provide quality products and services to our customers. Fine Sheetmetal Technologies was first accredited with ISO 9001 in 1995 and ISO 14001 in 2002, whereas FSM Technologies (MY) was first accredited with ISO 9001 in 2008. Fine Sheetmetal Technologies has also obtained BizSAFE Level 3 certification and received several awards and recognitions. For details of our major certifications as well as our major awards and recognitions, please refer to the sections headed “Business – Our licences and certifications” and “Business – Our major awards, recognitions and memberships” in this prospectus.

During the Track Record Period, we were a sheet metal fabricator with a focus on precision engineering and a precision machining service provider. For details of our business, please refer to the section headed “Business” in this prospectus.

HISTORY, DEVELOPMENT AND REORGANISATION

Milestone

Set out below are the major milestones of our Group's development since our establishment:

Year	Event
1992	Fine Sheetmetal Technologies commenced the business of sheet metal fabrication
1995	Fine Sheetmetal Technologies was first accredited with ISO 9001 (Quality Management System)
1996	Evercoat Technology was incorporated in Singapore
1997	FSM Technology (SG) was incorporated in Singapore
2000	FSM Technologies (MY) was incorporated in Malaysia
2001	FSM Manufacturing Solution (SG) was incorporated in Singapore
2002	Fine Sheetmetal Technologies was first accredited with ISO 14001 (Environmental Management System)
2008	Fine Sheetmetal Technologies participated in the Semiconductor Capability Development Programme
2011	Fine Sheetmetal Technologies was awarded a certificate of appreciation by VDL in recognition of the strong support of professional service rendered in 2010
2014	FSM Manufacturing Solutions (MY) was incorporated in Malaysia
2016	Fine Sheetmetal Technologies was awarded the Top 100 Elite and Trustworthy SMEs by Singapore Enterprise Association
	Fine Sheetmetal Technologies obtained BizSAFE level 3 Certification

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
2017	Fine Sheetmetal Technologies was awarded the Business Eminence Awards by Dun and Bradstreet
	Fine Sheetmetal Technologies became a corporate member of Singapore Precision Engineering and Technology Association
	Fine Sheetmetal Technologies became a statutory member of Singapore Business Federation
	Fine Sheetmetal Technologies became a member of Singapore Institute of Manufacturing Technology

CORPORATE HISTORY

Set out below are brief corporate histories of the establishment and major changes in the shareholdings of our Company and our subsidiaries:

Our Company

Our Company was incorporated in the Cayman Islands with limited liability on 5 February 2018, with an authorised share capital of HK\$380,000.00 divided into 38,000,000 Shares of HK\$0.01 each. It is an investment holding company.

On 5 February 2018, the subscriber Share was transferred to KAL SG at par value. On the same date, the Company issued and allotted one fully paid Share to KYL SG. Immediately after the transfer and allotment, the Company became owned as to 50% by KAL SG and 50% by KYL SG.

FSM Singapore

FSM Singapore was incorporated in the British Virgin Islands with limited liability on 1 March 2018. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. It is an investment holding company.

On the date of its incorporation, FSM Singapore issued and allotted one fully paid share at par value to the Company. Immediately after the allotment of share abovementioned, FSM Singapore became a direct wholly-owned subsidiary of the Company.

FSM Malaysia

FSM Malaysia was incorporated in the British Virgin Islands with limited liability on 1 March 2018. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. It is an investment holding company.

HISTORY, DEVELOPMENT AND REORGANISATION

On the date of its incorporation, FSM Malaysia issued and allotted one fully paid share at par value to the Company. Immediately after the allotment of share abovementioned, FSM Malaysia became a direct wholly-owned subsidiary of the Company.

Fine Sheetmetal Technologies

Fine Sheetmetal Technologies was incorporated in Singapore on 1 August 1980 with an authorised share capital of S\$25,000 divided into 25,000 shares of S\$1.0 each. Its principal activities are sheet metal fabrication with a focus on precision engineering and precision machining service.

Upon incorporation on 1 August 1980, Fine Sheetmetal Technologies allotted and issued one ordinary share to each of two independent third parties at par value. Through a number of transfers among Mr. Toe and independent third parties, allotments and issues of shares, Mr. Toe became the sole shareholder of Fine Sheetmetal Technologies in August 1992. In September 1992, Mr. Toe transferred 40% of the then issued shares in Fine Sheetmetal Technologies to Mrs. Toe.

Through a number of transfers, allotments and issues of shares, (i) an independent third party became a shareholder of Fine Sheetmetal Technologies as to 16.7% of the then issued shares in August 1998, and ceased to be a shareholder following a transfer of 60% and 40% of his shareholding to Mr. Toe and Mrs. Toe, respectively, in May 1999; and (ii) Fine Sheetmetal Technologies became owned as to 60% by Mr. Toe and as to 40% by Mrs. Toe since May 1999 and up to immediately prior to the Reorganisation.

Evercoat Technology

Evercoat Technology was incorporated in Singapore on 7 June 1996 with an authorised share capital of S\$300,000 divided into 300,000 shares of S\$1.0 each. Its principal activities are the provision of post-treatment process.

Upon incorporation on 7 June 1996, Evercoat Technology allotted and issued one ordinary share to each of Mr. Toe, Mrs. Toe and two independent third parties at par value. Through a number of transfers and allotments and issues of shares, Evercoat Technology became owned as to 66.7% by Mr. Toe and as to 33.3% by Mrs. Toe since June 2011 and up to immediately prior to the Reorganisation.

FSM Technology (SG)

FSM Technology (SG) was incorporated in Singapore on 10 July 1997 with an authorised share capital of S\$500,000 divided into 500,000 ordinary shares of S\$1.00 each. Its principal activities are sheet metal fabrication with a focus on precision engineering.

Upon incorporation on 10 July 1997, FSM Technology (SG) allotted and issued one ordinary share to each of Mr. Toe and Mrs. Toe at par value. In order to streamline corporate structure, Mrs. Toe transferred all of her then shares in FSM Technology (SG) to Mr. Toe in July 2008. Immediately after the transfer, FSM Technology (SG) became wholly owned by Mr. Toe up to immediately prior to the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

FSM Technologies (MY)

FSM Technologies (MY) was incorporated in Malaysia on 9 November 2000 with an issued share capital of RM3.00 divided into three ordinary shares of RM1.00 each. Its principal activities are sheet metal fabrication with a focus on precision engineering.

Upon incorporation on 9 November 2000, FSM Technologies (MY) allotted and issued one ordinary share to each of Mrs. Toe, Ms. Lim and an independent third party at par value. In February 2001, FSM Technologies (MY) issued and allotted 300,000 shares to Mr. Toe. Through a number of transfers and allotments and issues of shares, FSM Technologies (MY) became owned as to 60% by Mr. Toe, as to 39.9998% by Mrs. Toe and as to 0.0002% by Ms. Lim in January 2011.

In December 2014, FSM Technologies (MY) issued and allotted 500,000 shares to Mrs. Toe. Immediately after the allotment and issue of shares, FSM Technologies (MY) became owned as to 30% by Mr. Toe, as to 69.9999% by Mrs. Toe and as to 0.0001% by Ms. Lim up to immediately prior to the Reorganisation.

FSM Manufacturing Solution (SG)

FSM Manufacturing Solution (SG) was incorporated in Singapore on 6 February 2001 with an authorised share capital of S\$100,000.00 divided into 100,000 ordinary shares of S\$1.0 each. It is currently a dormant company. In the future, it is expected to mainly handle the provision of engineering solutions and feedbacks on customers' designs, which is currently within our business operation.

On 9 February 2001, FSM Manufacturing Solution (SG) allotted and issued one ordinary share to each of two independent third parties at par value. Through a number of transfers and allotments and issues of shares, FSM Manufacturing Solution (SG) became owned as to 60% by Mr. Toe and as to 40% by Mrs. Toe since September 2001 and up to the Reorganisation.

FSM Manufacturing Solutions (MY)

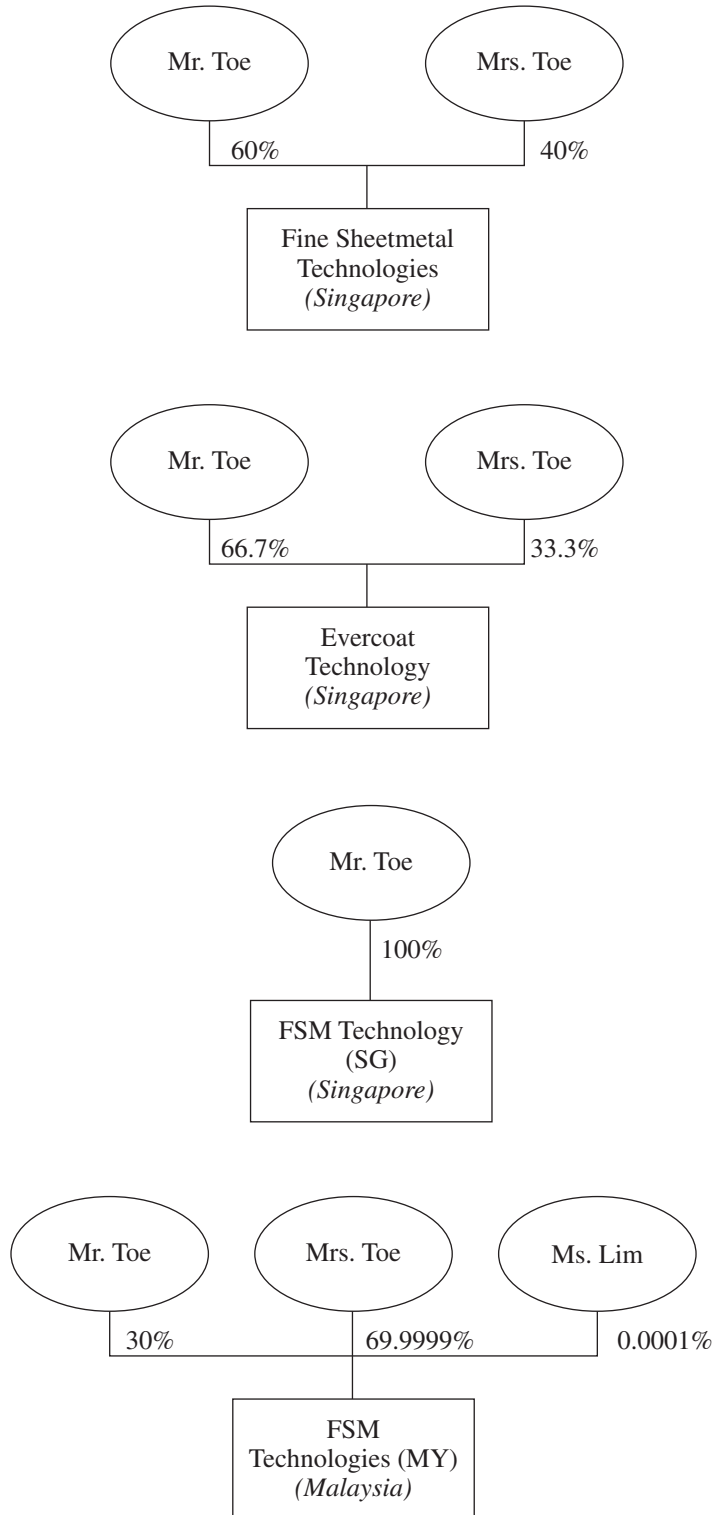
FSM Manufacturing Solutions (MY) was incorporated in Malaysia on 26 January 2014 with an issued share capital of RM2.00 divided in two ordinary shares of RM1.00 each. Its principal activities are handling internal human resources and administrative matters.

Upon incorporation on 26 January 2014, FSM Manufacturing Solution (MY) allotted and issued one ordinary share to each of Mrs. Toe and Ms. Lim at par value. On 29 December 2014, FSM Manufacturing Solution (MY) issued and allotted shares to each of Mrs. Toe and Mr. Kyson Toe. Immediately after the allotments and issues of shares, FSM Manufacturing Solution (MY) became owned as to 89.9998% by Mrs. Toe, as to 10% by Mr. Kyson Toe and as to 0.0002% by Ms. Lim up to the Reorganisation.

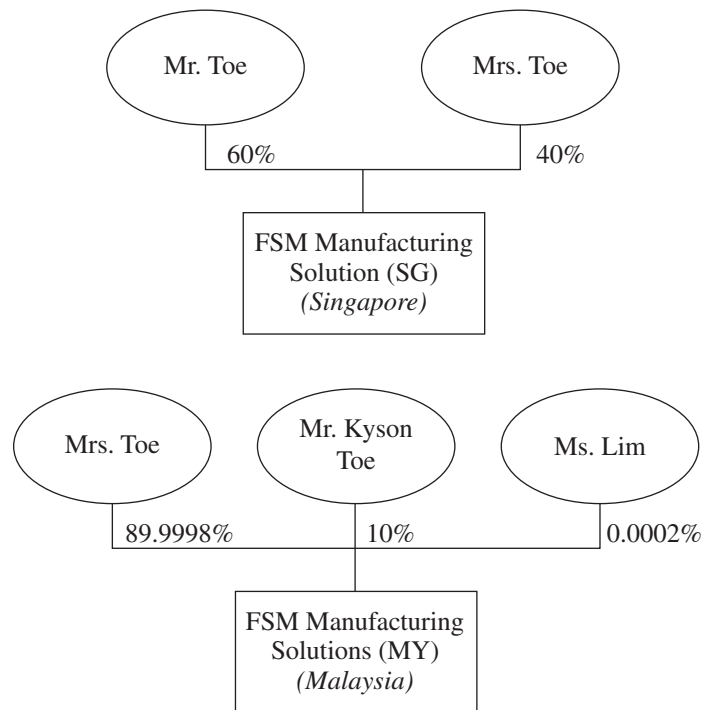
HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

The following diagrams set out the shareholdings and corporate structure of our Group immediately before the Reorganisation:



HISTORY, DEVELOPMENT AND REORGANISATION



Our Group underwent the Reorganisation in preparation for the Listing, which involved the following steps:

- (i) On 10 January 2018, KAL SG and KYL SG were incorporated in the BVI with limited liability. Each of them is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. On the same date, KAL SG and KYL SG issued and allotted one fully paid share at par value to Mr. Toe and Mrs. Toe, respectively;
- (ii) On 5 February 2018, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000.00 divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation, one fully paid Share was issued and allotted at par to the initial subscriber. On 5 February 2018, the subscriber Share was transferred to KAL SG at par value. On the same date, the Company issued and allotted one fully paid Share to KYL SG;
- (iii) On 1 March 2018, FSM Singapore and FSM Malaysia were incorporated in BVI with limited liability. Each of them is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. On the same date, each of FSM Singapore and FSM Malaysia issued and allotted one fully paid share at par value to the Company;
- (iv) On 13 March 2018, in order to streamline our corporate structure, Mrs. Toe acquired one share representing 0.0001% of the issued share capital of FSM Technologies (MY) from Ms. Lim at the consideration of RM2.00 with reference to the net asset value of FSM Technologies (MY) as at 31 December 2017;

HISTORY, DEVELOPMENT AND REORGANISATION

- (v) On 13 March 2018, in order to streamline our corporate structure, Mrs. Toe acquired 50,000 shares and one share representing 10% and 0.0002% of the issued share capital of FSM Manufacturing Solutions (MY) from Mr. Kyson Toe and Ms. Lim at the consideration of RM3,852.00 and RM1.00, respectively, with reference to the net asset value of FSM Manufacturing Solutions (MY) on 31 December 2017;
- (vi) On 21 June 2018, Mr. Toe, Mrs. Toe, KAL SG, KYL SG, the Company, FSM Singapore and FSM Malaysia completed a share swap, pursuant to which:
 - (a) each of Mr. Toe and Mrs. Toe transferred 720,000 shares and 480,000 shares in Fine Sheetmetal Technologies to FSM Singapore, respectively;
 - (b) each of Mr. Toe and Mrs. Toe transferred 200,000 shares and 100,000 shares in Evercoat Technology to FSM Singapore, respectively;
 - (c) Mr. Toe transferred 500,000 shares in FSM Technology (SG) to FSM Singapore;
 - (d) each of Mr. Toe and Mrs. Toe transferred 60,000 shares and 40,000 shares in FSM Manufacturing Solution (SG) to FSM Singapore, respectively;
 - (e) each of Mr. Toe and Mrs. Toe transferred 300,000 shares and 700,000 shares in FSM Technologies (MY) to FSM Malaysia, respectively; and
 - (f) Mrs. Toe transferred 500,000 shares in FSM Manufacturing Solutions (MY) to FSM Malaysia.

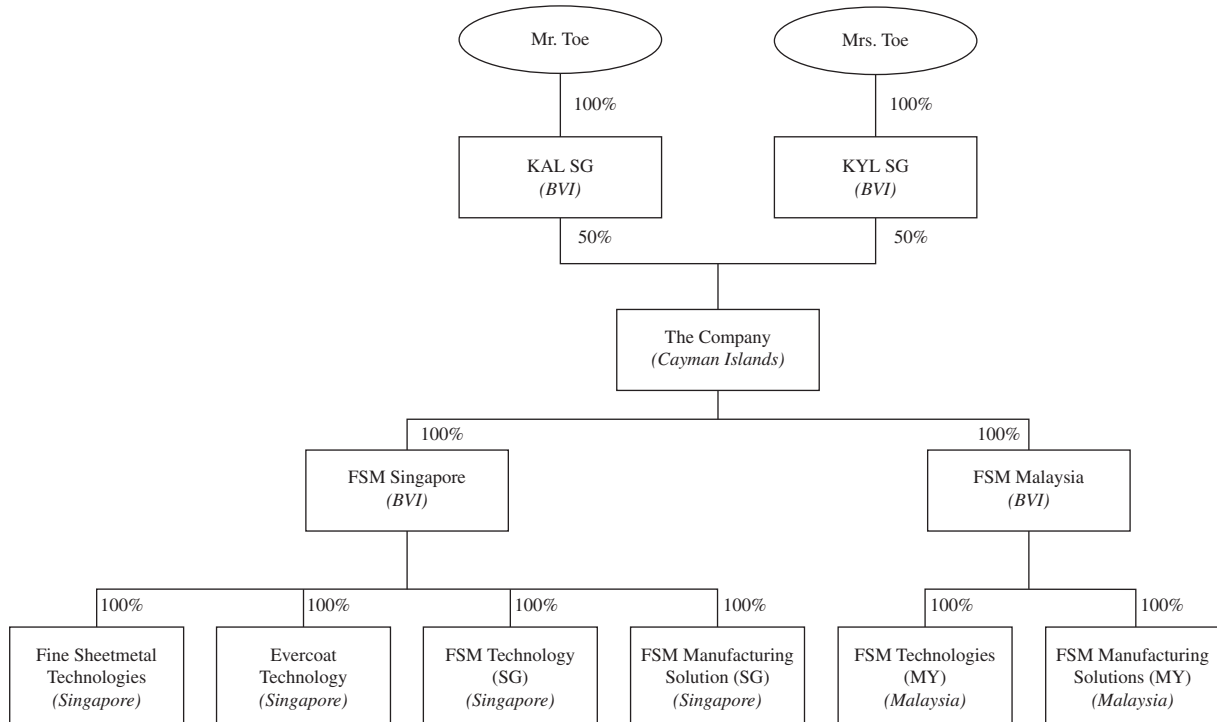
In consideration of the above transfers of shares, with reference to the net asset value of the relevant companies as at 31 December 2017, the Company issued and allotted 6,375,901 Shares and 3,624,101 Shares, credited as fully paid, to KAL SG and KYL SG, respectively;

- (vii) On 21 June 2018, our Company issued and allotted 2,751,800 Shares at par value, credited as fully paid, to KYL SG; and
- (viii) On 22 June 2018, the authorised share capital of the Company was increased from HK\$380,000.00 divided into 38,000,000 Shares to HK\$20,000,000.00 divided into 2,000,000,000 Shares.

As a result of the Reorganisation, our Company became the holding company of our Group. Our Directors confirm that, save as disclosed in the prospectus, there was no outstanding options, warrants and/or convertibles in respect of each member of our Group as at the Latest Practicable Date.

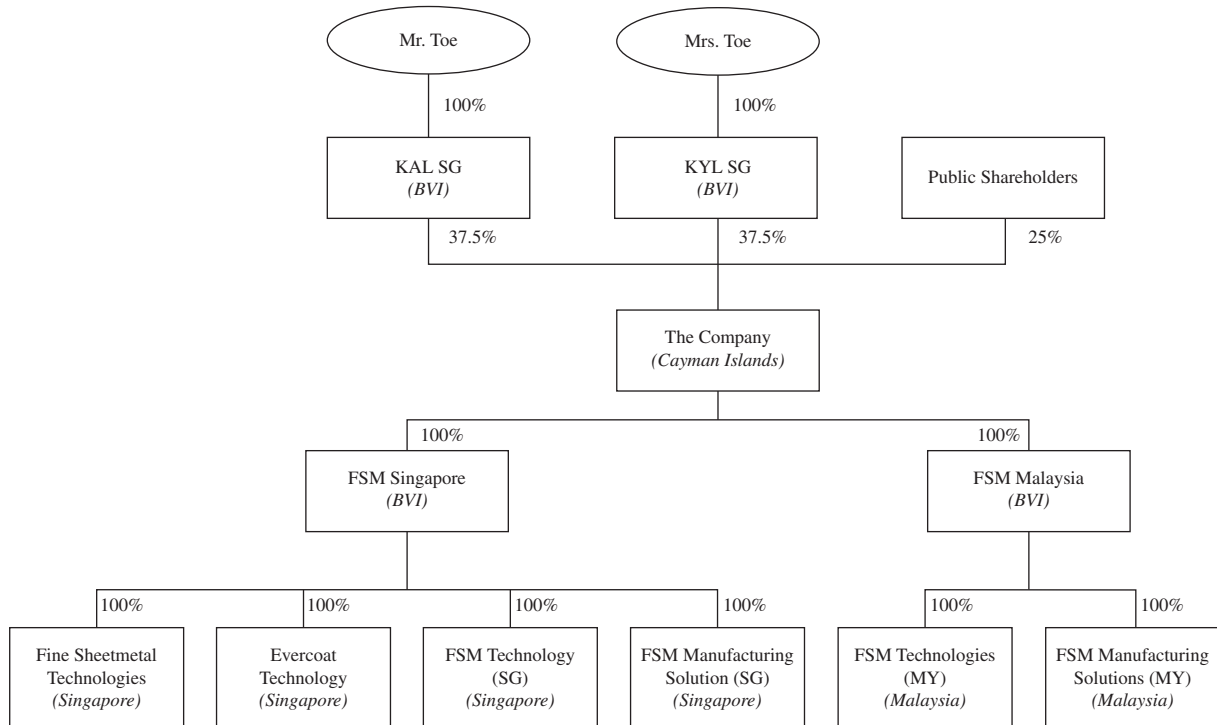
HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the shareholdings and corporate structure of our Group immediately after the Reorganisation but before the Capitalisation Issue and the Share Offer:



HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the shareholdings and corporate structure of our Group immediately after the Capitalisation Issue and the Share Offer (without taking into account any option which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. Sheet metal fabrication is the use of sheet metal to produce structures and products for various applications, whereas precision engineering requires attention to detail and knowledge for careful application of measurements, control and fabrication methods which supports the production of complex components in various industries. During the Track Record Period, we generally produced and supplied customised sheet metal products to our customers. We also provided precision machining services to semi-finished products of our customers since 2017. The following table sets out our revenue from (i) sale of sheet metal products and (ii) precision machining services during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Sale of sheet metal products	18,531	100.0	12,598	100.0	19,996	96.2
Precision machining services	-	-	-	-	795	3.8
Total	18,531	100.0	12,598	100.0	20,791	100.0

Having an operating history of over 25 years and through our continuing efforts, our Directors believe that we have built a reputation as a quality and reliable sheet metal fabricator and precision machining service provider in Singapore. According to the Ipsos Report, we are one of the key active market players with market share of approximately 1.3% in the metal precision components market in Singapore, which has a total market value of approximately S\$933.5 million for the year ended 31 December 2016.

During the Track Record Period, we served customers who were contract manufacturers and brand owners. The following table sets out our revenue during the Track Record Period by reference to the role of our customers:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Contract manufacturers	12,131	65.5	6,991	55.5	12,717	61.2
Brand owners	6,400	34.5	5,607	44.5	8,074	38.8
Total	18,531	100.0	12,598	100.0	20,791	100.0

BUSINESS

We generally sold and delivered our sheet metal products to our customers' designated facilities in Singapore after which our customers, both contract manufacturers and brand owners, would integrate and assemble our sheet metal products into machineries used for various applications. The following table sets out the breakdown of our revenue from the sale of sheet metal products by the type of application during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Semiconductor						
manufacturing	9,948	53.7	5,880	46.7	10,875	54.4
Machinery and machine						
tools manufacturing	6,184	33.4	5,540	44.0	8,056	40.3
Printing application	1,050	5.6	989	7.8	830	4.2
Others ^(Note)	1,349	7.3	189	1.5	235	1.1
Total	18,531	100.0	12,598	100.0	19,996	100.0

Note: Others included security-related applications and miscellaneous sale of small parts.

As at the Latest Practicable Date, our business was headquartered in Singapore with production facilities in both Singapore and Malaysia. During the Track Record Period, we have continuously acquired machineries to optimise our production capability, efficiency as well as accuracy. In particular, in recent years, we have introduced the 5-axis milling machines in our production process to improve our overall production capability. Our machinery fleet also possessed advanced machineries such as robotic welding machines and laser welding machines, which can improve our production automation, and coordinate measuring machine, which can enhance our production accuracy. Most of our machineries are highly flexible and can be used to produce different products with different specifications.

Deploying advanced production machineries and techniques, we offered our customers comprehensive services tailored for their specific designs and specifications, ranging from providing engineering solutions and feedbacks on their designs and producing first articles, to manufacturing, testing and assembling of the products, as well as providing after-sales technical support. Our Directors believe that our business model which integrates different production processes has enabled us to provide our customers with a cost-effective option to fulfil their precision engineering-related needs.

BUSINESS

During the Track Record Period, our major customers included subsidiaries of several established multi-national companies. For the three years ended 31 December 2017, our largest customer for the corresponding year accounted for approximately 32.9%, 43.7% and 48.7% of our revenue, respectively, while our five largest customers for the corresponding year in aggregate accounted for approximately 96.6%, 98.9% and 98.9% of our revenue, respectively. Having considered we have maintained business relationship with our major customers for six to 18 years and in view of our mutual and complementary reliance with our customers, our Directors believe that we are capable of maintaining business relationships with our customers in the future. For further details, please refer to the paragraph headed “Our customers” in this section.

We generally carry out our productions with our own machineries and workers while we also engage subcontractors to perform some of the post-treatment processes to achieve better cost efficiency. During the Track Record Period, suppliers which are specific to our business and are required on a regular basis for our business operations mainly include suppliers of material and subcontractors. For further details, please refer to the paragraph headed “Our suppliers” in this section.

Our Directors believe that, due to the complexity and precision requirements of our customers’ products, distinctive and consistent quality production is critical to our success. As such, in addition to our commitment to high technical quality, we have implemented a quality management system which has been certified to be in compliance with the requirements of ISO 9001 accreditation since February 1995. Under our quality management system, we conduct quality control testing at various stages throughout our production process, such as (i) a full inspection on first article production; (ii) in-coming quality check on material and subcontracted parts; (iii) quality control throughout the production process; and (iv) out-going quality check on finished products.

Going forward, we target to further strengthen our position as an established sheet metal fabricator and precision machining service provider in Singapore. In particular, we intend to (i) increase our production capacity to expand the scale of our operation; (ii) implement greater production automation to achieve better production efficiency; (iii) enhance our information technology system; (iv) improve our quality assurance capability; and (v) increase our marketing effort. For further details, please refer to the paragraph headed “Business strategies” in this section.

COMPETITIVE STRENGTHS

We have an established history and proven track record

Fine Sheetmetal Technologies, one of our eight subsidiaries and the first member of our Group, has been operating in the metal precision components market in Singapore for over 25 years. Our Directors place high importance in providing advanced and customised services with high quality, and our Directors consider this can only be achieved with our commitment to high technical quality as well as the implementation of our quality control system.

BUSINESS

Through our continuing efforts, our Directors believe that we have built a reputation as a quality and reliable sheet metal fabricator and precision machining service provider in Singapore. According to the Ipsos Report, we are one of the key active market players in the metal precision components market. In particular, the total market value for this market for the year ended 31 December 2016 was estimated to be approximately S\$933.5 million and, based on our revenue for the same year, our market share was estimated to be approximately 1.3% in this market. We have also received various awards and recognitions including the Business Eminence Awards in 2017. For details of our major awards and recognitions, please refer to the paragraph headed “Our major awards, recognitions and memberships” in this section.

Our Directors believe that our established presence and proven profile in the metal precision components market is crucial to our business operation as it enables us to maintain existing customers and secure new business opportunities.

We leverage on our advanced machineries to achieve better production capability, efficiency as well as accuracy

Our Directors believe that embracing and adopting new advanced technologies is the key factor for us to remain competitive and differentiate ourselves from our competitors. Throughout the years, we have continuously acquired machineries to optimise our production capability, efficiency as well as accuracy.

In particular, in recent years, we have introduced the 5-axis milling machines in our production process. Comparing to other milling machines, the 5-axis milling machines provide more directions in which the milling tools can move. As such, it raises the limit on the complexity of products we can machine and empowers us to complete highly complex procedures in a single setup, and thus improves our overall production capabilities. In addition, we have implemented production automation through the deployment of advanced machineries such as robotic welding machines and laser welding machines. Our Directors believe a greater production automation can reduce our man-to-machine ratio and thus enable us to fabricate products with high quality in a cost-effective manner. Besides, our coordinate measuring machine enhanced our production accuracy.

Our Directors consider our advanced machineries enable us to produce complex products, achieve greater productivity and increase our production accuracy. Therefore, it is critical to us to maintain our major customers as well as to attract prospective customers who would like to seek to outsource complex sheet metal fabrication services to reliable fabricators.

We provide customised and comprehensive services tailored to our customers

During the Track Record Period, in order to fulfil each customer’s specific needs and requirement, we offered a broad range of services which encompass provision of feedbacks on customers’ designs, production of first articles, manufacturing, testing and assembling of sheet metal products, as well as the provision of after-sales technical support. In addition, we provided

value-added precision machining services on semi-finished products of our customers. Our Directors consider this can only be achieved by possessing the relevant advanced machineries and techniques to fabricate customised sheet metal products to fit our customers' specifications.

Most of our machineries are highly flexible that can be used to produce sheet metal products with different specifications. Being supported by our experience and resources, our Directors believe our business model integrating different production processes has provided us a competitive edge by allowing us to provide our customers a comprehensive and cost-effective service.

We maintain long-standing and strong business relationship with our major customers and principal customers of contract manufacturers

During the Track Record Period, we served customers who were contract manufacturers and brand owners, and our major customers include several established multi-national companies. We have established business relationship with them for six to 18 years. We were awarded with a certificate of appreciation from VDL in 2011 in recognition of our strong support of professional service rendered. Our Directors are of the view that such long-standing relationships were the recognition of our track record of satisfactory product and service quality and we can leverage on our existing relationship with our major customers to further develop new business opportunities.

In addition, Our Directors consider that our relationship with customers who are contract manufacturers enables us to have exposure in serving their principal customers being established multi-national companies with stringent quality requirements, as our products were integrated and assembled into the machineries of such principal customers. For instance, both VDL and Customer C are contract manufacturers that manufactured, in whole or in parts, in accordance with the specifications of their principal customers. As such, our Directors believe that on top of our business relationship with the contract manufacturers, we have also established direct working relationships and earned the recognition of these principal customers of contract manufacturers by producing distinctive and consistent quality products.

Besides, we endeavour to provide quality service to our customers in order to maximise the quality of the product as well as the production efficiency. We have a project engineer designated to be responsible for each customer. Our project engineer, together with the engineering department, worked closely with our customers to go through their product conceptual designs and specifications to determine the feasibility of the production and to provide necessary feedback to improve the quality of the products. Besides, our project engineers, together with our sales and business development head, communicated regularly with our customers to ensure that their problems, if any, will be resolved in a timely manner. As a result, our Directors believe that we have built a strong relationship with our customers and we have continuously accumulated manufacturing expertise and understanding of our customers' businesses, which will in turn facilitate our services and is essential for us to maintain as a close business partner of our major customers.

We have a stable and experienced management team

Our stable and experienced management team is led by Mr. Toe, the Chairman, the chief executive officer and one of our executive Directors, who has more than 25 years of experience in the metal precision components market and has received numerous awards and appointments in recognition of his achievements as well as contributions to the society, including the Public Service Medal received in 2016. In addition, our executive Director, Mrs. Toe, has joined us since August 1992 and has more than 25 years of experience in the metal precision components market. Our another executive Director, Ms. Lim, has been transferred to and responsible for our Malaysia operation for more than nine years and thus has gained adequate local knowledge which is beneficial to our business operation in Malaysia. Besides, most of our senior management have extensive experience in their respective industries. With the industry insights and experiences of our Directors and senior management, we have been able to devise strategic business plans, assess and manage risks thoroughly as well as secure emerging opportunities in the metal precision components market. For details of the background and experience of our management team, please refer to the section headed “Directors and senior management” in this prospectus.

Besides, the staff members in our engineering department have years of experience with us. Our Directors consider that they are all equipped with the practical knowledge and technical skills for our business operation. Our Directors believe that our staff members are our treasured assets and having such stable and experienced management team is our driving force to deliver high quality products and services to our customers.

We maintain stringent control over our quality and environmental impact

Our Directors believe that distinctive and consistent quality production is crucial to our business operation. As such, in addition to our commitment to high technical quality, we have implemented a quality control system that complies with international standard. Since February 1995, our quality management system has been certified to be in compliance with the requirements of ISO 9001 accreditation. Besides, our various awards and recognitions received from our customers illustrated, among other things, our high performance in quality control. For details of our awards and recognitions, please refer to the paragraph headed “Our major awards, recognitions and memberships” in this section.

Furthermore, we have adopted an environmental management system to promote environmental awareness and prevent pollution to the environment resulting from our business operation and such system has been certified to be in compliance with the requirements of ISO 14001 accreditation since February 2002.

Our Directors believe that our stringent control over our quality and environmental impact will give us competitive edge as well as improve our corporate image and therefore our position as an established sheet metal fabricator and precision machining service provider in Singapore can be strengthened.

BUSINESS STRATEGIES

Having considered (i) our business performance during the Track Record Period; (ii) our competitive strengths mentioned above; and (iii) the anticipated growth of the metal precision components market as stated in the Ipsos Report, our Directors intend to pursue the following strategies:

Increasing our production capacity to expand our scale of operation

According to the Ipsos Report, the metal precision components market is anticipated to grow in line with the overall positive sentiments for the metal fabrication industry as well as the increasing demand for precision engineering products in Singapore beyond 2018. As such, by the end of 2022, the metal precision components market is forecasted to grow and reach approximately S\$1.0 billion.

Besides, Singapore government has the initiative to improve manufacturing process and output in the country. In particular, in Singapore's Budget 2016, the country introduced a series of integrated roadmaps in its effort to drive industry transformation through its S\$4.5 billion Industry Transformation Programme. The manufacturing sector is amongst the 23 industries contributing significantly to Singapore's economy and is identified to be developed further through its industry transformation map. Precision engineering, under the manufacturing cluster has been identified as one of the key growth areas for further development as it is a critical enabler for Singapore's manufacturing cluster, supporting the production of various complex components needed in industries. For further details, please refer to the section headed "Industry overview" in this prospectus.

In view of the expected emerging demand of the metal precision components market, we intend to leverage on our strengths to expand our scale of operation through our intended effort in actively seeking additional business opportunity, from both existing and potential new customers, on top of our present scale of operation. To achieve such business strategy, we intend to increase our production capacity.

Our capacity to manufacture and supply sheet metal products with consistency depends largely on the availability of our machinery. As such, we have continuously acquired machineries to, among other things, optimise our production capacity. We also believe that our continued acquisition of machinery is necessary. Therefore, we intend to acquire additional machineries including milling machine and laser cutting machine to increase production capacity in various existing production processes, details of which is set forth in the paragraph headed "Our production and production facilities – Production processes" in this section.

BUSINESS

In addition, our Directors consider that we can only fully utilise the newly acquired machineries if they are supported by an associated development of our production facilities, purchases of transportation vehicles and recruitment of additional technical staff. As at the Latest Practicable Date, we had production facilities in both Singapore and Malaysia. Our production facility in Singapore consisted of Singapore Property I and Singapore Property II located in Tuas. We acquired the property interest in Singapore Property I, which is our current headquarters, in 1995, while we acquired the property interest in Singapore Property II recently in January 2018 with approximately S\$2.4 million. Before acquiring the interest in Singapore Property II, we only leased Singapore Property II, so we did not perform any alteration and addition work to the property necessary for the installation of advanced machineries. Thus, we could only use the property to perform some of the post-treatment processes. At the same time, our production facility in Malaysia consisted of Malaysia Property I and Malaysia Property II located in Johor and, in particular, Malaysia Property II was only used as warehouse for storage of material as well as finished products in light of the risk of non-renewal of the lease. In order to accommodate the newly acquired machineries, we intend to develop our production facilities by (i) acquiring Malaysia Property II at the consideration of approximately S\$1.6 million, in second half in the year ending 31 December 2018; (ii) constructing an extension and conducting renovation for Singapore Property II so that we can install more advanced machineries; and (iii) conducting renovation for Malaysia Property II after the acquisition so that we can perform full range of production process.

Besides, in order to cope with our increased production capacity, we intend to acquire additional transportation vehicles, such as lorry and van, so that we can arrange transportation and delivery of our materials and products to accommodate our existing and emerging business opportunity without heavily relying on external transportation services. In particular, our Directors consider that it is prudent not to heavily rely on extra external transportation services because some unexpected variations in the future, such as shortage on transportation services in a specific time or fluctuating in transportation cost, can be avoided. We also intend to recruit additional technical staff to operate the newly acquired machineries.

Our Directors believe that the acquisition of additional machineries together with the development of our production facilities, purchases of transportation vehicles and recruitment of additional technical staff will enable us to cope with our business development and increase our overall capacity in producing and supplying sheet metal products for different needs and requirements of different customers.

Implementing a greater production automation to achieve better production efficiency

According to the Ipsos Report, Singapore is amongst the 25 countries best positioned to benefit from the rise and adoption of Industry 4.0, and Singapore has been gearing up to adopt the Industry 4.0 model to enable digitalisation and automation of processes to enhance efficiency and long-term competitiveness on the global stage. This new-age approach allows for high-level integration of information, communication and systems by

connecting multiple devices and machines at every step and level of the manufacturing process. To facilitate the Industry 4.0 strategy, the Singapore government has allocated significant time, money and investment into research and development (R&D) projects, developing industry transformation maps and strengthening the workforce's skill sets, to allow quicker adoption in the industry. Continuing efforts by the Singapore government are expected to continue to drive the demand for technological automation especially for manufacturing segments such as precision engineering, and therefore indirectly driving growth and demand for the metal precision components market moving forward.

In view of the Industry 4.0 model, our Directors believe that continuing to embrace and adopt new advanced technologies is the key factor for us to remain competitive and differentiate us from our competitors. In particular, our Directors believe that a greater implementation of production automation is essential such that our man-to-machine ratio can be further reduced and thus our cost efficiency can be further improved. According to a survey of 235 German industrial companies which was conducted by a market research institution, upon successful adoption of Industry 4.0, there will be an increase in efficiency of 17.9% for over five years and there will also be a cost reduction of 13.8% for over five years. As such, we intend to acquire and install additional machineries including robotic welding machines and robotic press brake machines as well as the related software in various production processes to achieve better production efficiency.

To cope with our acquisition of additional machineries, we intend to recruit additional technical staff to operate the newly acquired machineries.

Enhancing our information technology system

During the Track Record Period, to manage our business operation, we used spreadsheets, manual operation and a financial operation system without functions of inventory management and production live update. Having considered our expansion plan and the associate increasing difficulty in managing our business operation, we intend to introduce an ERP system so that our business operation, from negotiation of design and specification to production and delivery of final products, are maintained and monitored through the system.

In addition, our Directors consider the ERP system can further enhance our operating efficiency. In particular, under the system, all the sales data will be stored which in turn will assist us in analysing sales trends of our products and thus assist our management in formulating suitable business plans to capture market opportunities. Besides, the ERP system can enable us to enhance the accuracy and efficiency of our production plan, reduce production lead time and improve our product development cycle. The system will also allow us to perform real-time management of our financial data and enhance our cost management as well as to enhance our supply chain management.

BUSINESS

An associated upgrade of our manpower is also needed to support the ERP system. As such, we intend to hire additional skilled employees so that the ERP system can be properly implemented and monitored.

Improving our quality assurance capability

Our Directors believe that, due to the complexity and precision requirements of machineries produced by our customers, distinctive and consistent quality production is critical to our success. As such, we have maintained stringent control over our quality by implementing a quality control system that complies with international standard. Besides, we possess a coordinate measurement machine which is used to precisely measure the geometry of a part or assembly of our products for testing against the design specification and thus can ensure our production accuracy. In order to cope with our business development, our Directors believe our quality assurance capability shall also be improved to maintain such a stringent quality control. As such, in order to facilitate our quality control and product testing processes, we intend to acquire another coordinate measurement machine as well as to hire additional employees for our quality control department.

Increasing our marketing effort

During the Track Record Period, we actively communicate with our customers from time to time for relationship building and management and therefore we secured new businesses mainly through our existing customers or referral.

In order to further promote ourselves, to broaden our client base and to cope with our business development, we intend to increase our marketing efforts through different marketing initiatives with our existing and potential customers, such as, from time to time, (i) participating in local or international trade shows and seminars and workshops organised by other industry players; (ii) hosting our existing and prospective customers; (iii) enhancing our website and optimising search engine; and (iv) placing advertisement in professional or trade magazines. Our Directors believe that the increase of our marketing effort will further increase industry players' awareness of us and further strengthen our presence in the metal precision components market in Singapore.

Implementation of business strategies

Except that we have paid a deposit of approximately S\$16,000 to purchase Malaysia Property II with our internal resources, all of the above business strategies and future plans are expected to be funded by the net proceeds. For further details of our intended use of proceeds, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

BUSINESS

OUR BUSINESS MODEL

During the Track Record Period, we were a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. Sheet metal fabrication is the use of sheet metal to produce structures and products for various application, whereas precision engineering requires attention to detail and knowledge for careful application of measurements, control and fabrication methods which supports the production of complex components in various industries.

During the Track Record Period, we generally produced and supplied customised sheet metal products to our customers. We also provided precision machining services on semi-finished products of our customers since 2017. The following table sets out our revenue from (i) sale of sheet metal products; and (ii) precision machining services during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Sale of sheet metal products	18,531	100.0	12,598	100.0	19,996	96.2
Precision machining services	-	-	-	-	795	3.8
Total	18,531	100.0	12,598	100.0	20,791	100.0

We generally sold and delivered our sheet metal products to our customers' designated facilities in Singapore after which our customers, both contract manufacturers and brand owners, would integrate and assemble our sheet metal products into machineries used for various applications. The following table sets out the breakdown of our revenue from the sale of sheet metal products by the type of application during the Track Record Period:

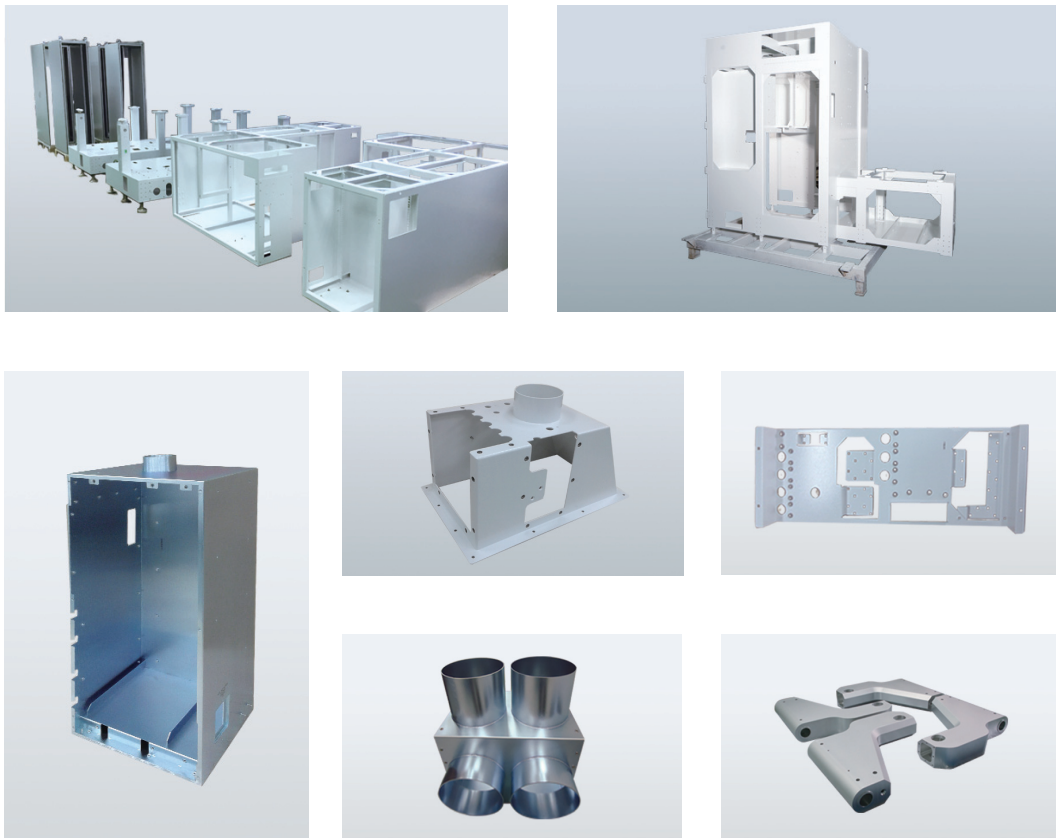
	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Semiconductor manufacturing	9,948	53.7	5,880	46.7	10,875	54.4
Machinery and machine tools manufacturing	6,184	33.4	5,540	44.0	8,056	40.3
Printing application	1,050	5.6	989	7.8	830	4.2
Others <i>(Note)</i>	1,349	7.3	189	1.5	235	1.1
Total	18,531	100.0	12,598	100.0	19,996	100.0

Note: Others included security-related applications and miscellaneous sale of small parts.

Our products

Semiconductor manufacturing

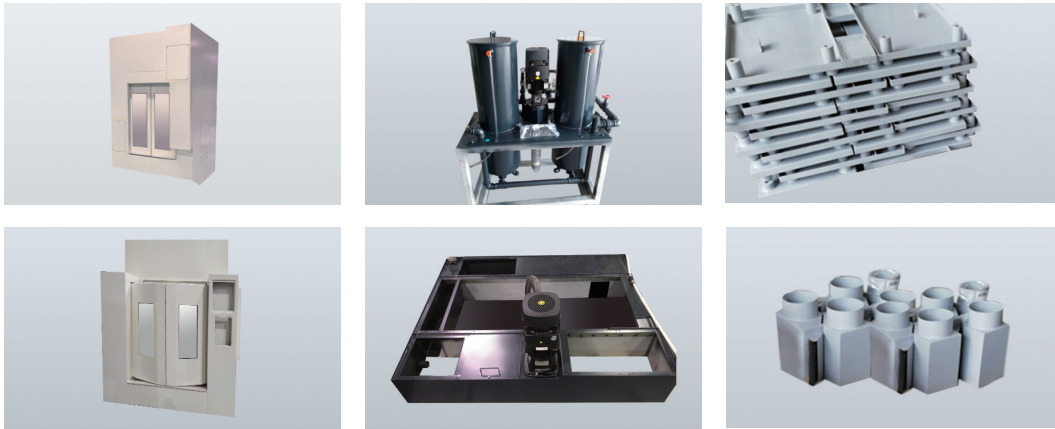
During the Track Record Period, we manufactured and supplied customised sheet metal products for machineries used for semiconductor manufacturing, including the manufacturing of LED applications and semiconductor testing equipments. For each of the three years ended 31 December 2017, we sold customised sheet metal products for the purpose of semiconductor manufacturing with an amount of approximately S\$10.0 million, S\$5.9 million and S\$10.9 million, respectively.



BUSINESS

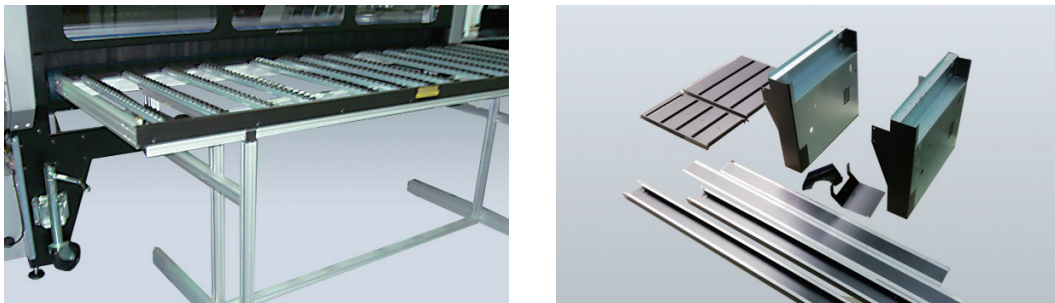
Machinery and machine tools manufacturing

During the Track Record Period, we manufactured and supplied customised sheet metal products for machineries used for machinery and machine tool manufacturing, including the manufacturing of various types of milling-related machines which are used to perform specific production process for industrial manufacturing purpose. For each of the three years ended 31 December 2017, we sold customised sheet metal products for the purpose of machinery and machine tool manufacturing with an amount of approximately S\$6.2 million, S\$5.5 million and S\$8.1 million, respectively.



Printing application

We also manufactured and supplied customised sheet metal products for machineries used for printing for commercial use. For each of the three years ended 31 December 2017, we sold customised sheet metal products for printing application with an amount of approximately S\$1.0 million, S\$1.0 million and S\$0.8 million, respectively.



BUSINESS

During the Track Record Period, we used mainly sheet metal made by aluminium and steel for our production. We generally manufactured and supplied a combination of customised sheet metal products which consisted of frames, modular and component parts. In particular, frames are sheet metal made structures of a machine; modular comprises multiple component parts combined and/or fabricated using extensive welding and/or assembly; and component parts are individual parts that do not require extensive welding and assembly.

Our product specifications vary significantly. As such, the unit price of our customised sheet metal products has a wide range. In particular, for illustration purposes, during the Track Record Period, the unit price of our sheet metal products was from less than one Singapore dollar to tens of thousands Singapore dollars.

Since our customers or principal customers will continuously produce each type of machineries throughout the period of time over which machineries come across introduction, growth, mature and decline in the market which in general ranged from four to five years, they will over the same period place orders to purchase our sheet metal products for producing such machineries. As such, our product life cycle largely follows the period over which the machineries were produced by our customers or principal customers. There was no significant change in our product mix during the Track Record Period.

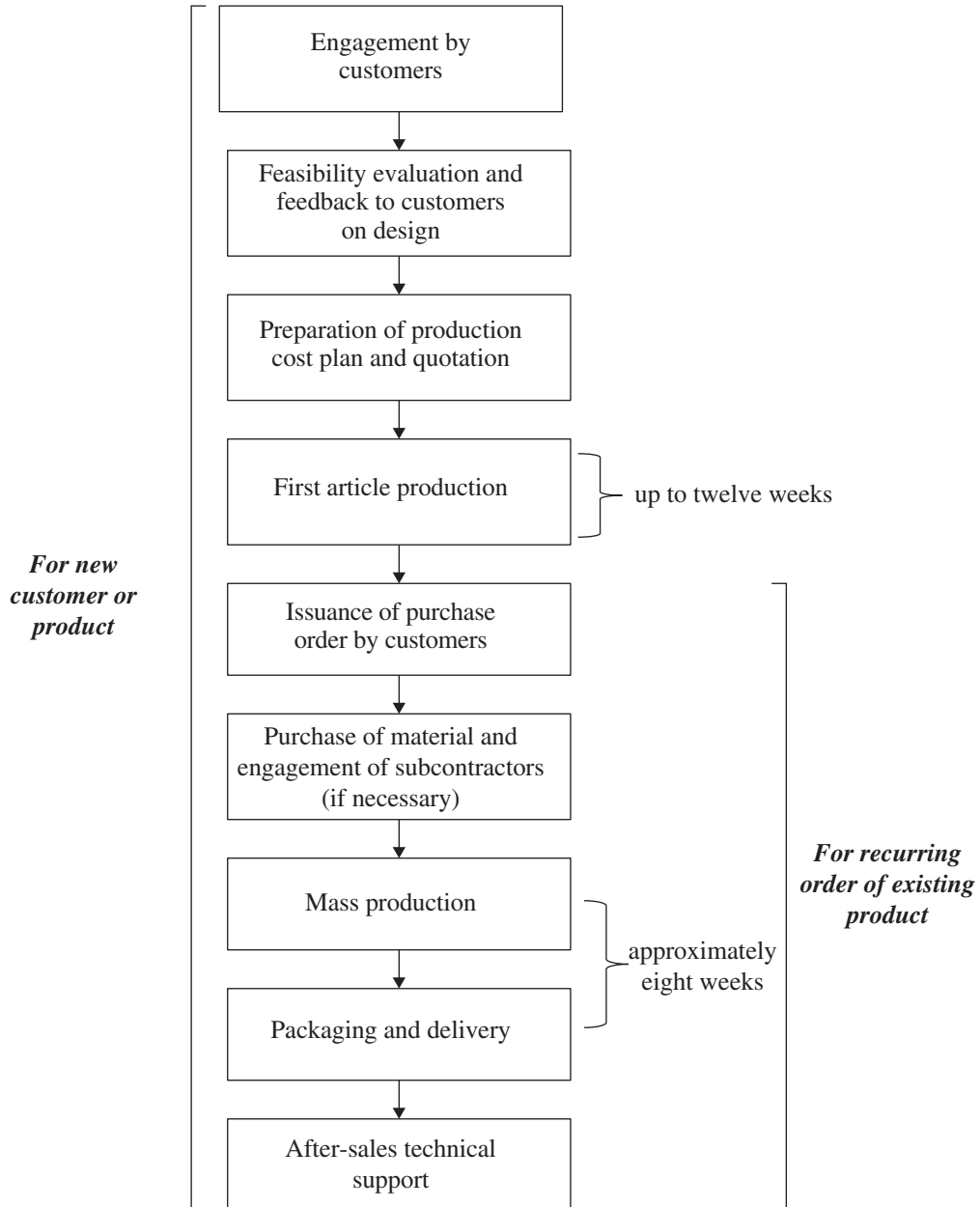
Our services

Since the year ended 31 December 2017, we have started to provide value-added precision machining services on semi-finished products of our customers. For a more detailed description of the precision machining process, please refer to the paragraph headed “Our production and production facilities – Our production process – Machining” in this section.

BUSINESS

Operation flow

Sheet metal fabrication



Details of our key operational procedures of our sheet metal fabrication as illustrated above are set out below:

Engagement by customers

Before the engagement, our potential customers or the principal customers of contract manufacturers will usually conduct a supplier selection audit on us. If they consider that we

are suitable to become their suppliers, we and our customers will enter into a non-disclosure agreement which states that any technical data or design will not be disclosed to third parties.

Feasibility evaluation and feedback to customers on design

For new products, our customers will first provide product conceptual design and specification to us. In the product conceptual design and specification, our customers may sometimes indicate the material to be used for the production of the products or specify the suppliers of standard parts to be procured from.

Our engineering department will first transform our customers' drawings and specifications into computerised drawings. Our designated project engineer, together with the engineering department, will work closely with our customers to go through their product conceptual designs and specifications to determine the feasibility of the production and to provide necessary feedback to improve the quality of the products.

Preparation of production cost plan and quotation

Afterwards, we will prepare a production cost plan as well as a bill of material detailing materials and standard parts to be used. We will then provide our customers with a quotation, indicating the price or a price range of the products, which is correlated to the actual quantity to be required in the mass production stage.

First article production

Once our customers agree on the quotation, our customers will issue a purchase order for the first article to us and we will commence the production of the first article. Besides, our planning and logistics department procures the required material from our approved suppliers or suppliers designated by our customers for the first article production based on our production needs and inventory level.

Our Directors consider that the first article production process is so critical as the acceptance of the first article usually means that the customer will likely engage us for mass production throughout the product life cycle. As such, the first article production is subject to comprehensive quality inspection by our quality control team together with our customers. If any defect is located, the defect will be rectified until our customers are satisfied with the first article. The whole process usually takes up to twelve weeks. For details of our quality control, please refer to the paragraph headed "Quality control" in this section.

Issuance of purchase order by our customers for mass production

For new products, having satisfied with the quality of the first article production, our customers will generally provide their production forecast and place purchase order for mass production, which stipulates the required quantity and corresponding agreed unit price, to us.

BUSINESS

For recurring orders, we do not need to proceed the first article production process again and the mass production or provision of service will be initiated by the issuance of purchase order by our customers. The required quantity and the price, as well as the arrangement of delivery of the mass production may vary from order to order. In general, the quantity is based on the production forecast given by our customers and the production forecast is updated by our customers from time to time.

Purchase of material and engagement of subcontractors (if necessary)

Similar to first article production, our planning and logistics department will procure the required material from our approved suppliers or suppliers designated by our customers based on our production needs and inventory level. In some cases, we will outsource some non-core post-treatment process, such as plating and silk-screen printing, to our approved subcontractors. For further details, please refer to the paragraph headed “Our suppliers” in this section. We will perform in-coming quality check on material and outsourced parts. For further details, please refer to the paragraph headed “Quality control” in this section.

Mass production

After a purchase order for mass production is placed and confirmed, we will proceed to mass production. Our mass production may be performed in our production facilities in Singapore or Malaysia subject to the agreement with our customers. For details of our mass production process, please refer to the paragraph headed “Our production and production facilities – Our production process” in this section.

Throughout the entire production process, to ensure that our product meets the specification required by our customers, we have implemented quality control measurements. For details of our quality control procedure, please refer to the paragraph headed “Quality control” in this section.

After the semi-finished products are finished and the outsourced parts are returned, the component parts will be assembled in accordance with the customers’ specifications. We will then perform a final quality checking to the finished goods to ensure that our products have satisfied our customers’ specification and reached the quality standard required by our customers before the products are to be sent for packaging and delivery.

Packaging and delivery

All finished products will be packed carefully to minimise damages and to ensure that the packaging is arranged orderly with neat appearance and contains the correct information of the products and the delivery information. After packaging, we are normally responsible for the delivery of our products to locations specified by our customers. For products with smaller size, we will utilise our internal resources to deliver our products, while for larger products, we will engage external service provider for delivery of our products. Customers’ acceptances of the products are only assured upon the acknowledgement of the delivery order by the customers.

After-sales technical support

We value our relationship with our customers. As such, after the delivery of our products, our designated project engineer will continue to communicate regularly with our customers to check if they encounter any problem with our products. If there are minor engineering changes to their designs, we will provide corresponding technical support to our customers. In cases where there are major changes expected to be done on our products, we will arrange with our customers for the issuance of another purchase order for any alteration required to be done.

Provision of precision machining services

In cases where we are only required to perform precision machining services, our customers will first issue us a purchase order. After the purchase order is confirmed, our customers will deliver their semi-finished products to us and we will perform in-coming quality check. Going forward, we will perform the services in accordance with the customers' specification. For a more detailed description of the precision machining process, please refer to the paragraph headed "Our production and production facilities – Our production process – Machining" in this section.

Similar to our mass production, after the precision machining services are finished, we will perform quality inspection to ensure that our product meets the specification required by our customer before delivery.

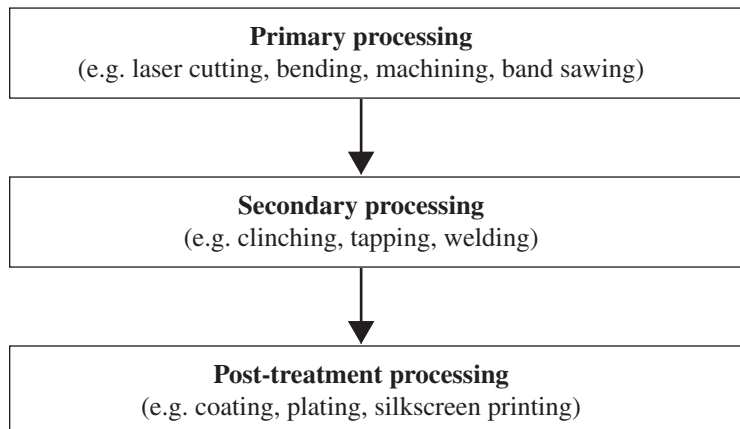
During the Track Record Period, we have not experienced any material adverse impact on our operating performance or financial condition due to any change in production quantities, production delay, product defects which led to a delay in shipments or resulted in liability or loss.

Seasonality

Our Directors believe that our business operation during the Track Record Period did not exhibit any significant seasonality.

OUR PRODUCTION AND PRODUCTION FACILITIES

Our production process



Due to the diversity of our products and the customer-specific requirements on our products, we do not have a common production flow for each of the products we produced. Nonetheless, the mass production process for our sheet metal products can be broadly categorised into three major steps, namely primary processing, secondary processing and post-treatment processing.

Details of our typical key production treatments are set out below:

Primary processing

Our primary processing encompasses bending, forming and cutting a sheet metal into the desired shape and size through the use of our machineries. Computer numerical control machines are commonly used in the primary process as they can create precision and complex products in a repeated manner with minimum errors. Our primary processing consists of processes as follows:

Laser cutting

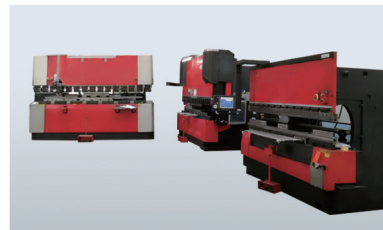
Laser cutting is a process of cutting sheet metal into smaller sections of different shapes by a laser cutting machine. It is a technology that uses a high-powered laser beam to cut metals, commonly through optics, to achieve a high level of precision. It can perform the functions of straight cutting, level cutting, spotting holes and drilling etc.



Laser cutting machines

Bending

Bending is a process where metals are shaped using force, causing it to bend at an angle and form the desired shape. Press brake machine is usually used for bending sheet metal plates between a matching punch and die.



Bending machines

Machining

Machining is a process where metals are rotated against tools for trimming, cutting and shaping to the desired shape or measurement. It can have several axes of movements, either linear or rotary.

In particular, 5-axis milling machines have three linear axes and two rotaries, providing more directions in which the milling tools can move. As such, it raises the limit on the complexity of products we can machine and empowers us to complete highly complex procedures in a single setup, and thus improves our overall production capabilities.



Milling machines

Band sawing

Band sawing is a process of cutting metal sheet of certain thickness and shape. They are available in vertical and horizontal design. A vertical bandsaw keeps the blade's path stationary while the workpiece is moved across it. This type of saw can be used to cut out complex shapes and angles. A horizontal bandsaw hold the workpiece stationary while the blade swings down through the cut. This configuration is used to cut long materials such as pipe or bar stock to length.



Bandsaw

Secondary processing

Products with complex structures and functions of the product may require a further and secondary processing as follows:

Clinching

Clinching is a process of joining sheet metal without inserting additional components by a clinching nut machine. A clinching nut is a solid nut with smooth shanks projecting from one end. These shanks are inserted into performed holes sheet metal and clinch the clinch nuts to parent material. Clinching nuts provide multiple threads in material too thin to be extruded or tapped.



Clinching machine

Tapping

Tapping is the process of cutting a thread inside a hole so that a cap screw or bolt can be threaded into the hole. Also, it is used to make thread on nuts.

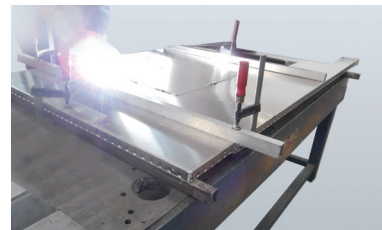
Tapping can be done on the lathe by power feed or by hand. Regardless of the method, the hole must be drilled with the proper size tap drill and chamfered at the end.



Tapping machines

Welding

Welding is a method to join metals by heating, heat-pressing or the combination of both, filling or unfilling. We use four welding methods in our production process, i.e. argon welding, Co₂ (carbon dioxide) welding, laser welding and arc welding. We may deploy robotic arm in the process.



Welding machines

Post-treatment processing

This marks the last step of the production process. During the Track Record Period, while we performed some of the post-treatment process with our own machineries and workers, we engaged subcontractors to perform some of the post-treatment process, including plating and silk-screen printing, to achieve better cost efficiency. For details of our subcontracting process, please refer to the paragraphs headed “Our suppliers – Subcontracting charges” in this section.

Our post-treatment process generally consists of processes as follows:

Powder coating

Powder coating is a surface treatment process in which powder are blown into a thin fog or smoke and allowed to settle upon the surface of metal due to the effect of static electricity and form a solid coating after proper heating.

Plating

Plating is a surface finishing process that deposits a metal on a conductive surface and an ionic metal is supplied with electrons to form a non-ionic coating on a substrate. It is used in metal fabrication to achieve desired properties such as abrasion and wear resistance, and corrosion protection to the metal surface.

Silk screen printing

Silk screen printing is a printing technique that uses a woven mesh to support an ink-blocking stencil.

Our production facilities

As at the Latest Practicable Date, our business was headquartered in Singapore with production facilities in both Singapore and Malaysia. Before the commencement of our production, we agreed with our customers on which of our production facilities to proceed with production, based on factors including the technical requirements as well as the production schedule.

Our production facility in Singapore

As at the Latest Practicable Date, our Singapore facilities consisted of Singapore Property I and Singapore Property II, both of which are located in Tuas. For further details of the properties, please refer to the paragraph headed “Our properties” in this section. We acquired the property interest in Singapore Property I, which is our current headquarters, in 1995, while we acquired the property interest in Singapore Property II recently in January 2018. During the Track Record Period, Singapore Property I was mainly used as our factory for sheet metal

BUSINESS

fabrication in precision engineering and precision machining and warehouse as well as ancillary office. For the Singapore Property II, since we only leased the property before the acquisition, we did not perform any alteration and addition work to the property necessary for the installation of advanced machineries and thus we could only use the property to perform some of the post-treatment processes during the Track Record Period.

Since our production facility in Singapore is generally used for manufacturing products which require relatively advanced technologies, our advanced machines, such as the 5-axis milling machines, laser cutting machines and robotic welding machines are generally maintained in our Singapore facility.

Our production facility in Malaysia

As at the Latest Practicable Date, our production facilities in Malaysia consisted of Malaysia Property I and Malaysia Property II, both of which are located in Johor, which is located right next to Singapore. For further details of the properties, please refer to the paragraphs headed “Our properties” in this section. During the Track Record Period, while Malaysia Property I owned by us was mainly used as factory for sheet metal fabrication in precision engineering and warehouse, Malaysia Property II leased by us could only be used as warehouse for storage of materials as well as finished products in light of the risk of non-renewal of the lease.

Production capacity and utilisation rate

Due to the diversity of our products and the customer-specific requirements of our products, and given that there is no common production flow and most of our machineries are highly flexible that can be used to produce different products with different specification, our Directors consider it difficult to accurately estimate our production capacity as well as utilisation rate of our production capacity during the Track Record Period.

BUSINESS

Nonetheless, for illustrative purpose only, the following table sets out the production capacity and the utilisation rate of the major production processes in our production facilities for the financial years indicated based on information available on man hours and machine hours:

	Year ended 31 December								
	2015			2016			2017		
	<i>Production capacity (hour)</i>	<i>Actual output (hour)</i>	<i>Utilisation rate (%)</i>	<i>Production capacity (hour)</i>	<i>Actual output (hour)</i>	<i>Utilisation rate (%)</i>	<i>Production capacity (hour)</i>	<i>Actual output (hour)</i>	<i>Utilisation rate (%)</i>
<i>Singapore</i>									
Laser cutting	8,004	8,004	100.0	8,004	8,004	100.0	12,006	9,680	80.6
Bending	19,390	19,390	100.0	19,390	16,535	85.3	19,390	12,355	63.7
Machining	17,787	12,922	72.6	17,787	14,641	82.3	19,121	18,354	96.0
Welding	32,016	27,862	87.0	40,020	27,615	69.0	40,020	32,382	80.9
Post-treatment	1,112	934	84.0	1,112	942	84.7	1,112	1,016	91.4
Quality Control	4,225	3,800	90.0	4,225	3,495	82.7	4,225	3,514	83.2
Total	82,533	72,912	88.3	90,537	71,233	78.7	95,873	77,300	80.6
<i>Malaysia</i>									
Laser cutting	5,157	5,157	100.0	5,157	5,157	100.0	5,157	5,157	100.0
Bending	7,735	7,363	95.2	7,735	6,637	85.8	7,735	7,735	100.0
Machining	7,319	6,188	84.5	7,319	6,371	87.1	7,319	6,821	93.2
Welding	5,573	4,828	86.6	5,573	4,317	77.5	5,573	5,226	93.8
Post-treatment	5,157	4,238	82.2	5,157	3,787	73.4	5,157	4,558	88.4
Total	30,939	27,773	89.8	30,939	26,268	84.9	30,939	29,496	95.3

Notes:

- (i) Production capacity is calculated as the lower of effective man hours and machine hours. In particular, while machine hours are calculated as net of servicing hour and down time with reference to the relevant machines brochure and our Directors' best estimation, man hours for our Singapore/Malaysia production facilities are calculated based on the following assumptions: (i) 44 hours per week for 52 weeks per year; (ii) 72/104 hours of overtime works per month for one month (maximum); and (iii) 11/20 days of public holidays per year.
- (ii) The actual output is the multiple of estimated number of product series, based on the total direct labour cost divided by the average direct labour cost of each product series, and the lower of the estimated effective man hours and machine hours required for each procedure for each product series, based on the internal record and our management's best estimation.

Various factors, such as customers' demand and our production schedule, may affect the utilisation rate of our production facilities. For instance, the decrease in the utilisation rate of our production facilities in Singapore and Malaysia from the year ended 31 December 2015 to the year ended 31 December 2016 as well as the increase in the utilisation rate in the year ended 31 December 2017 were in line with the change in our revenue in the respective years.

BUSINESS

Our major machineries

We rely on the use of machineries to enable us for our production of customised sheet metal products. Accordingly, we possess a broad range of machinery to perform different types of production processes as set out above. For the three years ended 31 December 2017, we acquired new machineries in the amount of approximately S\$1.0 million, S\$3,000 and S\$1.7 million, respectively.

The following table sets out the details of our machineries for the major production processes as at 31 December 2017:

	Number of units	Range of remaining economic life (year(s))	Average remaining economic life (year(s))
Laser cutting	7	1–15	7.1
Bending	5	1–11	6.3
Machining	20	1–15	6.1
Welding	2	4–6	4.7
Post-treatment	2	4–10	6.8
Total	36		6.3

SALES AND MARKETING

During the Track Record Period and up to the Latest Practicable Date, we generally explored our business opportunities by receiving recurring purchase orders from our existing customers or being approached by our new customers. Our Directors are of the view that our success is largely based on our reputation and our long-standing and strong relationship with our customers. Therefore, we have a project engineer designated to be responsible for each customer and he or she, together with our sales and business development head, will communicate with our customers from time to time. Besides, both of our Directors, Mr. Toe and Mrs. Toe are responsible for communicating and maintaining good relationship with our existing and potential customers.

In addition, with a view to enhancing our reputation and attending to market development, we undertake marketing efforts such as (i) participating in industry related associations, such as the Singapore Precision Engineering and Technology Association and Singapore Institute of Manufacturing technology; and (ii) publishing our information and updates from time to time at our website.

BUSINESS

Pricing strategy

We determine our pricing on a case-by-case basis by adopting a cost-plus pricing model. After estimating our production costs, which mainly include (i) our processing cost; and (ii) the estimated material and subcontracting costs, our management team will proceed to determine the additional profit margin, taking into account factors including (i) the technical requirements; (ii) the production schedule; and (iii) the expected sales volume.

OUR CUSTOMERS

During the Track Record Period, our customers include (i) contract manufacturers who manufacture products, in whole or in parts, in accordance with the specifications of their principal customers, under whose brand name the products are sold; and (ii) brand owners, who develop and own the design of the products and market and sell the products under their own brand names. The following table sets out our revenue during the Track Record Period by reference to the role of our customers:

	Year ended 31 December					
	2015		2016		2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Contract manufacturers	12,131	65.5	6,991	55.5	12,717	61.2
Brand owners	6,400	34.5	5,607	44.5	8,074	38.8
Total	18,531	100.0	12,598	100.0	20,791	100.0

We generally sold and delivered the sheet metal products to our customers' designated facilities in Singapore for application of various purposes. For details of application of our products by our customers or principal customers of contract manufacturers, please refer to the paragraph headed "Our business model" in the section.

During the Track Record Period, our customers were located in Singapore and our revenue was mainly denominated in U.S. dollar and Singapore dollar.

Salient terms of a typical sales transaction

Our customers generally place orders with us on a transaction basis and there is no long-term purchase agreement entered into between our customers and us during the Track Record Period. In a typical sales transaction, our customers will first issue a purchase order to us and we will then confirm the order. Salient terms of a typical sale are summarised as below:

(i) Product description

Brief description of the products, including the type of product, model, size and key material are specified.

(ii) Order details

The quantity, the unit price and the total amount are specified.

(iii) Delivery details

The delivery date and location are specified. In general, we pay for the transportation of goods to the destination specified by our customers. The ownership of the goods passed from us to our customers when the goods arrived at such destination and upon acknowledgement of the delivery order by the customers.

(iv) Payment terms

In general, we grant our customers a credit term ranging from approximately 30 to 90 days and they settle their payment generally by cheque or bank transfer.

Some of our customers may also request certain standard parts shall be sourced from suppliers specified by them. For details of the purchase of standard parts, please refer to the paragraph headed “Our suppliers – Purchases of materials” in this section.

In addition, at the beginning of our business relationship with our customers, our customers may enter into a non-disclosure agreement with us. A typical non-disclosure agreement usually contains clauses such as (i) all non-public information disclosed by one party, including all drawings or documents, shall remain as the property of the disclosing party; and (ii) any technical data or design cannot be disclosed to third parties without the prior consents of the disclosing party. Any breach of the non-disclosure agreement will cause a party liable for any cost or expense suffered or incurred by the disclosing party.

Our top five customers

For the three years ended 31 December 2017, our largest customer for the corresponding year accounted for approximately 32.9%, 43.7% and 48.7% of our revenue, respectively, while our five largest customers for the corresponding year in aggregate accounted for approximately

BUSINESS

96.6%, 98.9% and 98.9% of our revenue, respectively. The following tables set out the breakdown of our revenue by our five largest customers during the Track Record Period and their respective background:

For the year ended 31 December 2015

Rank	Customer	Product/services provided by us	Background of the customer	Credit term and payment method	Approximate amount of revenue (\$'000)	Approximate % of the total revenue	Approximate year of business relationship
1	Customer A	Sheet metal products	A brand owner of advance machine tools based in Singapore which principally engaged in manufacture and sale of electrical discharge machine and vertical machining center. It is a subsidiary and Asia headquarter of a company listed on the Tokyo Stock Exchange, which recorded its revenue and net profit for the year ended 31 March 2017 for approximately US\$1.4 billion and US\$68.2 million, respectively.	45 days; by cheque	6,101	32.9	18
2	VDL	Sheet metal products and machining services	A contract manufacturer based in Singapore which principally engaged in the business of system integration of mechatronic systems and modules for OEM manufacturers. It is a wholly-owned subsidiary of a multi-national company based in the Netherlands.	60 days; by bank transfer	5,693	30.7	11
3	Customer C	Sheet metal products	A contract manufacturer based in Singapore which principally engaged in manufacture of machine parts and electronic components with provision of design concept. It is a subsidiary of a company listed on the Nasdaq Stock Market, which recorded its revenue and net profit for the year ended 31 March 2017 for approximately US\$23.9 billion and US\$319.6 million, respectively.	90 days; by bank transfer	4,154	22.4	9
4	Customer D	Sheet metal products	A Singapore-based company established in 1994 and principally engaged in manufacture & sale of security related equipment.	30 days; by bank transfer	1,031	5.6	6
5	Semiconductor Technologies & Instruments Pte Ltd	Sheet metal products	A Singapore-based company principally engaged in research, design, development, manufacture and marketing of semiconductor inspection machines. It is a subsidiary of a company listed on the Singapore Exchange, which recorded its revenue and net profit for the year ended 31 December 2016 for approximately S\$141.9 million and S\$7.4 million, respectively.	30 days; by cheque	928	5.0	10
					<u>17,907</u>	<u>96.6</u>	

BUSINESS

For the year ended 31 December 2016

Rank	Customer	Product/services provided by us	Background of the customer	Credit term and payment method	Approximate amount of revenue (S\$'000)	Approximate % of the total revenue	Approximate year of business relationship
1	Customer A	Sheet metal products	A brand owner of advance machine tools based in Singapore which principally engaged in manufacture and sale of electrical discharge machine and vertical machining center. It is a subsidiary and Asia headquarter of a company listed on the Tokyo Stock Exchange, which recorded its revenue and net profit for the year ended 31 March 2017 for approximately US\$1.4 billion and US\$68.2 million, respectively.	45 days; by cheque	5,500	43.7	18
2	VDL	Sheet metal products and machining services	A contract manufacturer based in Singapore which principally engaged in the business of system integration of mechatronic systems and modules for OEM manufacturers. It is a wholly-owned subsidiary of a multi-national company based in the Netherlands.	60 days; by bank transfer	3,181	25.3	11
3	Customer C	Sheet metal products	A contract manufacturer based in Singapore which principally engaged in manufacture of machine parts and electronic components with provision of design concept. It is a subsidiary of a company listed on the Nasdaq Stock Market, which recorded its revenue and net profit for the year ended 31 March 2017 for approximately US\$23.9 billion and US\$319.6 million, respectively.	90 days; by bank transfer	2,469	19.6	9
4	Semiconductor Technologies & Instruments Pte Ltd	Sheet metal products	A Singapore-based company principally engaged in research, design, development, manufacture and marketing of semiconductor inspection machines. It is a subsidiary of a company listed on the Singapore Exchange, which recorded its revenue and net profit for the year ended 31 December 2016 for approximately S\$141.9 million and S\$7.4 million, respectively.	30 days; by cheque	1,207	9.6	10
5	Customer F	Sheet metal products	A Singapore-based company principally engaged in manufacture and repair of wire bonders. It is a subsidiary of a multi-national company based in Germany.	60 days; by bank transfer and cheque	107	0.7	9
					<u>12,464</u>	<u>98.9</u>	

BUSINESS

For the year ended 31 December 2017

Rank	Customer	Product/services provided by us	Background of the customer	Credit term and payment method	Approximate amount of revenue (S\$'000)	Approximate % of the total revenue	Approximate year of business relationship
1	VDL	Sheet metal products and machining services	A contract manufacturer based in Singapore which principally engaged in the business of system integration of mechatronic systems and modules for OEM manufacturers. It is a wholly-owned subsidiary of a multi-national company based in the Netherlands.	60 days; by bank transfer	10,133	48.7	11
2	Customer A	Sheet metal products	A brand owner of advance machine tools based in Singapore which principally engaged in manufacture and sale of electrical discharge machine and vertical machining center. It is a subsidiary and Asia headquarter of a company listed on the Tokyo Stock Exchange, which recorded its revenue and net profit for the year ended 31 March 2017 for approximately US\$1.4 billion and US\$68.2 million, respectively.	45 days; by cheque	8,012	38.5	18
3	Customer C	Sheet metal products	A contract manufacturer based in Singapore which principally engaged in manufacture of machine parts and electronic components with provision of design concept. It is a subsidiary of a company listed on the Nasdaq Stock Market, which recorded its revenue and net profit for the year ended 31 March 2017 for approximately US\$23.9 billion and US\$319.6 million, respectively.	90 days; by bank transfer	2,034	9.8	9
4	Semiconductor Technologies & Instruments Pte Ltd	Sheet metal products	A Singapore-based company principally engaged in research, design, development, manufacture and marketing of semiconductor inspection machines. It is a subsidiary of a company listed on the Singapore Exchange, which recorded its revenue and net profit for the year ended 31 December 2016 for approximately S\$141.9 million and S\$7.4 million, respectively.	30 days; by cheque	320	1.5	10
5	Customer F	Sheet metal products	A Singapore-based company principally engaged in manufacture and repair of wire bonders. It is a subsidiary of a multi-national company based in Germany.	60 days; by bank transfer and cheque	61	0.4	9
					<u>20,560</u>	<u>98.9</u>	

BUSINESS

During the Track Record Period, none of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of our five largest customers. Our Directors also confirmed that, to their best knowledge, none of our Company or any of its subsidiaries, directors, shareholders or senior management, or any of their respective associates had any past or present relationship, including employment, financing or family relationship, with any of our five largest customers.

Customer concentration

For the three years ended 31 December 2017, our largest customer for the corresponding year accounted for approximately 32.9%, 43.7% and 48.7% of our revenue, respectively, while our five largest customers for the corresponding year in aggregate accounted for approximately 96.6%, 98.9% and 98.9% of our revenue, respectively. Our Directors consider that we have a mutual and complementary business relationship with our customers, due to the following reasons:

- (a) according to the Ipsos Report, brand owners and contract manufacturers in the metal precision components market tend to outsource the production of certain parts and components to subcontractors. In particular, the Ipsos Report also states that it is a normal practice for manufacturers to maintain a long-term relationship with specific subcontractors instead of switching between subcontractors frequently, as the barriers of entry for metal fabricators producing products that require high precision are rather high and are often limited by conditions such as high cost of capital, high cost of equipment, technology know-how and the availability of skilled workers for successful production of products. On the other hand, it is our priority to work with reputable and sizeable brand owners and contract manufacturers, which in turn tend to undertake sizeable production. Our Directors believe that working with these brand owners and contract manufacturers can secure future business opportunities with them and bolster our job reference. However, when we decide to undertake sizable orders, we would dedicate sufficient resources into these orders and may not divert our attention to compete for other additional orders with overlapping of work schedule. As a result, taking into account our available production capacity, business strategy and the long-standing relationship with our major customers, our Directors consider that it is our Group's practice and in our best interest to prioritise our resources to cater for our major customers' demand. Nonetheless, according to the Ipsos Report, it is considered common for the metal precision components market players in Singapore to rely on their major customers; and
- (b) our Directors consider that, through our business relationship with our major customers for six to 18 years, we have developed a mutual and complementary business relationship with them. In particular, we worked closely with our major customers to go through their product conceptual designs and specifications to determine the feasibility of the production and to provide necessary feedback to improve the quality and to facilitate the proposed application of the products. As a

BUSINESS

result, we are one of the key suppliers of each of our major customers. In particular, Customer A and VDL confirmed that, during the Track Record Period, we were their largest supplier in terms of the amount of similar products and/or services purchased from us, while Customer C confirmed that, during the same period, we were one of its top five suppliers in terms of the amount of similar products and/or services purchased from us. In addition, Customer A, VDL and Customer C confirmed that their purchase from us during the Track Record Period accounted for over 30% of each of their total purchase of similar products and/or services and as supported by the Ipsos Report, we are also one of the key active market players and ranked second in the metal precision components market in 2016. Our Directors believe that we have built a strong relationship with our customers and we have continuously accumulated manufacturing expertise and understanding of our customers' businesses, which will in turn facilitate our services.

Based on the above factors, our Directors believe that it would not be commercial sensible for them to seek alternative suppliers easily and we are capable of maintaining our business relationships in the future.

In addition, our Directors consider that our relationship with customers who are contract manufacturers enables us to have exposure in serving their principal customers being established multi-national companies with stringent quality requirements, as our products were integrated and assembled into the machineries of such principal customers. For instance, both VDL and Customer C are contract manufacturers that manufactured, in whole or in parts, in accordance with the specifications of their principal customers. During the Track Record Period, there were five principal customers that engaged us through contract manufacturers for the supply of sheet metal products. We were a preferred supplier of four of these principal customers, who together contributed 53.2%, 44.3% and 54.8% to our total revenue for the three years ended 31 December 2017, respectively. As such, our Directors believe that on top of our business relationship with the contract manufacturers, we have also established direct working relationships and earned the recognition of these principal customers, who are also key decision makers in the suppliers selection process, by producing distinctive and consistent quality products. Our Directors therefore are of the view the customer base of our business operation during the Track Record Period was in substance more diverse despite the contractual relationship does not reflect so and we are able to leverage on the relationship with principal customers to diverse the impact of the fluctuation in demand of the products from customers.

Having an operating history of over 25 years and diversity of our products under customer-specific requirements, our machineries are highly flexible that can be used to produce different products with different specification. For the past ten years, we have served more than a hundred different customers in various industries. Our Directors believe that our operating history with a wide range of products for various applications and solid customer base, together with our technology know-how, skills and manufacturing expertise accumulated throughout the years, allows us to consolidate its reputation and secure orders from different contract manufacturers and brand owners. Unlike official tendering process, we secure new business mainly through the existing customers or referral. During the Track Record Period, we have

BUSINESS

received but did not pursue three quotation requests from three customers with aggregate amount of approximately S\$7.2 million and we have also declined six customers when they first expressed the intent to engage us at a preliminary stage, due to utilisation of production capacity for fulfilling orders from existing customers in order to strengthen our long-term business relationship. Therefore, our Directors consider that, besides the top five customers during the Track Record Period, there is solid demand for our Group's products. Our Group has been making continuous effort to expand its customer base. In the first quarter of 2018, we have completed first article production for a product with a new customer and who has also started to place orders for production since April 2018. Since April 2018, we have received orders of approximately S\$12,000 from the said new customer. With the view of the expected growth of the metal precision components market in Singapore in the coming few years according to the Ipsos Report, our Directors also believe that our Group is able to take up orders from new customers to reduce the level of concentration.

Our Directors further consider the fact that our customer concentration remains is a result of our choice to undertake fewer but larger and commercially sound and economically promising transactions in the context of the Group's available production capacity and it takes time and capital to enlarge the production capacity. For the three year ended 31 December 2017, our production facilities in Singapore recorded a utilisation rate of approximately 88.3%, 78.7% and 80.6%, respectively, while our production facilities in Malaysia recorded a utilisation rate of approximately 89.8%, 84.9% and 95.3%, respectively. Taking into account of our available production capacity, having considered our long-standing relationship with our major customers, we have inclined to stay focused in accommodating their demands for our services as far as our resources allowed. Going forward, we have no intention to limit ourselves to serving only our major customers and our Directors believe that if we are able to strengthen our machinery fleet and manpower resources, we expect that our customer base will become more diversified and the extent of our customer concentration is expected to decrease in the future.

Our major customers who were also our suppliers

During the Track Record Period, Customer A was one of our suppliers.

For the three years ended 31 December 2017, our sale to Customer A amounted to approximately S\$6.1 million, S\$5.5 million and S\$8.0 million, respectively, representing approximately 32.9%, 43.7% and 38.5% of our total revenue, respectively, and the gross profit margin from sales to Customer A was approximately 35.6%, 32.1% and 37.9%, respectively. During the same period, our purchase from them amounted to approximately S\$64,000, S\$62,000 and S\$160,000, respectively, representing approximately 1.3%, 1.6% and 2.8% of our total purchases, respectively.

The reason for such arrangement is that Customer A specified in the product conceptual design and specification that we need to procure certain standard parts from them. Our Directors consider the terms of transactions with Customer A are in line with the market and similar to those transactions with our other customers and suppliers.

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily include suppliers of material and subcontractors.

We generally carry out our productions with our own machineries and workers while we may also engage subcontractors to perform some of the post-treatment process to achieve better cost efficiency. During the Track Record Period, suppliers which are specific to our business and are required on a regular basis for our business operation mainly include suppliers of material and subcontractors.

Selection of suppliers

In some cases, our customers will specify us to purchase certain standard parts from specific suppliers. During the Track Record Period, there were seven suppliers designated by our customers and these suppliers accounted for approximately 18.9%, 27.1% and 22.6% of our total purchase for each of the three years ended 31 December 2017, respectively. Otherwise, we generally select suppliers and subcontractors from our approved list of suppliers with reference to their product or service quality as well as their fee quotations.

As at the Latest Practicable Date, we had over a hundred suppliers which were internally approved and shortlisted from time to time, based on factors including (i) their quality of products or services; (ii) their resources and skill; (iii) their licenses and certifications; (iv) prevailing market price; (v) delivery time; and (vi) reputation.

Purchases of material

During the Track Record Period, after the purchase order for first article production or mass production is confirmed, our planning and logistic department will procure the required materials from our approved suppliers or suppliers designated by our customers. We generally procured sheet metal including steel and aluminium, and standard parts which are used to assemble our sheet metal products.

During the Track Record Period, we generally ordered the relevant materials based on our production needs and inventory level and we did not enter into any long-term agreement or commit to any minimum purchase amount with our suppliers. Materials procured by us were usually delivered to our production facilities directly and we maintain a certain level of inventory of material based on our production needs. For our inventory management, please refer to the paragraph headed “Inventory management” in this section.

During the Track Record Period, our suppliers for material were located in Singapore, Malaysia and Hong Kong and our purchases were denominated in Singapore dollar, U.S. dollar and Malaysia Ringgit.

Salient terms of a typical purchase transaction

During the Track Record Period, we generally engaged our suppliers on a transaction basis and we did not enter into any long-term agreement with our suppliers. In a typical sale transaction, we will place a purchase order to our suppliers. Salient terms of a typical purchase are summarised as below:

(i) Product description

A brief description of the material is specified.

(ii) Order details

The quantity, the unit price and the total amount are specified.

(iii) Delivery details

The delivery date and location are specified.

(iv) Payment terms

In general, our suppliers grant us a credit term ranging from approximately 30 to 90 days and we settle our payment generally by bank transfer.

Subcontracting charges

As the entire production involves different kinds of work, having considered that subcontractors can provide additional machineries of different purposes, it may be cost effective for us to engage subcontractors to perform specific works. As such, during the Track Record Period, we engaged subcontractors to perform some of the post-treatment process, including plating and silk-screen printing to achieve better cost efficiency.

Salient terms of a typical engagement of subcontractors

During the Track Record Period, we generally engaged our subcontractors on a project-by-project basis and we did not enter into any long-term agreement with our subcontractors. In a typical sale transaction, we will place a purchase order to our subcontractors. Salient terms of a typical purchase generally include (i) contract price; (ii) scope of work and (iii) payment terms.

Control over subcontractors

We were liable to our customers for the performance of our subcontractors. As such, the parts produced by our subcontractors will undergo a quality check inspection before they are put

BUSINESS

to the final assembly process. For further details of our quality control, please refer to the paragraphs headed “Quality control” in this section.

Our top five suppliers

For the three years ended 31 December 2017, our largest supplier for the corresponding year accounted for approximately 8.3%, 9.7% and 11.9% of our total purchases, respectively, while the purchase from our five largest suppliers for the corresponding year in aggregate amounted to approximately 33.3%, 31.9% and 40.6% of our total purchases, respectively. The following tables set out the breakdown of our purchase from our five largest suppliers during the Track Record Period and their respective background:

For the year ended 31 December 2015

Rank	Supplier	Material supplied or service provided to us	Background of the supplier	Credit term and payment method	Approximate amount of purchase (S\$'000)	Approximate % of the total purchases	Approximate year of business relationship
1	Supplier A	Self-clinching fastener	A private company which engages in wholesale of industrial, construction and related machinery and equipment based in Singapore.	30 days; by bank transfer	403	8.3	11
2	Supplier B	Mild steel sheet	A private company which engages in general wholesale trade (including general importers and exporters) as well as building and repairing of ships, tankers and other ocean-going vessels (including conversion of ships into off-shore structures) based in Singapore.	30 days; by bank transfer	391	8.1	11
3	Supplier C	Electro galvanised plates	A private company which engages in manufacture of structural metal products (e.g. metal sections, corrugated sheets) based in Singapore.	90 days; by bank transfer	311	6.4	6
4	Supplier D	Pumps	A private company which engages in manufacture and repair of pumps (e.g. hydraulic pumps, drainage pumps) based in Singapore. It is a subsidiary of a group company based in Denmark.	90 days; by bank transfer	281	5.8	11
5	Supplier E	Plastic products	A private company which engages in manufacture of plastic products and general wholesale trade (including general importers and exporters) based in Singapore.	30 days; by bank transfer	224	4.7	6
					<u>1,610</u>	<u>33.3</u>	

BUSINESS

For the year ended 31 December 2016

Rank	Supplier	Material supplied or service provided to us	Background of the supplier	Credit term and payment method	Approximate amount of purchase (S\$'000)	Approximate % of the total purchases	Approximate year of business relationship
1	Supplier D	Pumps	A private company which engages in manufacture and repair of pumps (e.g. hydraulic pumps, drainage pumps) based in Singapore. It is a subsidiary of a group company based in Denmark.	90 days; by bank transfer	367	9.7	11
2	Supplier C	Electro galvanised plates	A private company which engages in manufacture of structural metal products (e.g. metal sections, corrugated sheets) based in Singapore.	90 days; by bank transfer	316	8.4	6
3	Supplier E	Plastic products	A private company which engages in manufacture of plastic products and general wholesale trade (including general importers and exporters) based in Singapore.	30 days; by bank transfer	218	5.8	6
4	Supplier F	Epoxy thinner and surfacer hardener	A Singapore-based company principally engaged in general wholesale trade (including general importers and exporters) of chemical and plastic resins, and medical components. It is a subsidiary of a company listed on the Tokyo Stock Exchange.	30 days; by bank transfer	164	4.3	5
5	Supplier G	Cast iron	A private company which engages in manufacture of moulds, iron casting and engineering based in Malaysia.	30 days; by bank transfer	138	3.7	6
					<u>1,203</u>	<u>31.9</u>	

BUSINESS

For the year ended 31 December 2017

Rank	Supplier	Material supplied or service provided to us	Background of the supplier	Credit term and payment method	Approximate amount of purchase (\$'000)	Approximate % of the total purchases	Approximate year of business relationship
1	Supplier C	Electro galvanised plates	A private company which engages in manufacture of structural metal products (e.g. metal sections, corrugated sheets) based in Singapore.	90 days; by bank transfer	681	11.9	6
2	Supplier H	Hardware	A private company which engages in wholesale of general hardware (e.g. locks, hinges) based in Singapore.	60 days; by bank transfer	622	10.9	2
3	Supplier D	Pumps	A private company which engages in manufacture and repair of pumps (e.g. hydraulic pumps, drainage pumps) based in Singapore. It is a subsidiary of a group company based in Denmark.	90 days; by bank transfer	458	8.0	11
4	Supplier E	Plastic products	A private company which engages in manufacture of plastic products and general wholesale trade (including general importers and exporters) based in Singapore.	30 days; by bank transfer	350	6.1	6
5	Supplier B	Mild steel sheet	A private company which engages in general wholesale trade (including general importers and exporters) as well as building and repairing of ships, tankers and other ocean-going vessels (including conversion of ships into off-shore structures) based in Singapore.	30 days; by bank transfer	208	3.7	11
					<u>2,319</u>	<u>40.6</u>	

During the Track Record Period, none of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of our five largest suppliers.

QUALITY CONTROL

Our Directors believe that ensuring the quality of our products and maintaining our reputation is critical to our success. As such, we put great emphasis on ensuring quality and consistent production to ensure that the final products that we manufactured and delivered to our customer is of acceptable quality. As at the Latest Practicable Date, our quality control team consisted of 14 members, each in average with over three years of experience in related industries, while some of them possessed certificates of diploma in engineering-related disciplines. We have implemented a quality management system which has been certified to be in compliance with the requirements of ISO 9001 accreditation since February 1995.

Under our quality management system, we conduct quality control testing at various stages throughout our production process, details of which are set out as follows:

First article production

The first article production is subject to comprehensive quality inspection in order to ensure the first article meets our customers' requirements and passed our customers' quality control before proceeding to mass production. Upon the completion of the first article production, our quality control team together with our customers will perform a full inspection to the first article. Any defects detected will be noted as a non-conformance in the non-conformance report.

In-coming material

During the Track Record Period, we procured the required material from our approved suppliers or suppliers designated by our customers, while we generally engaged our approved subcontractors. Our list of approved suppliers will be reviewed from time to time, based on factors, among other things, including their quality of products or services.

Our quality control department also conducts physical and visual inspection on material as well as outsourced parts to ensure such materials meet the requisite quality standards. If substandard in-coming materials are identified through the inspection, we will return the related non-conforming materials for replacement.

Production process

Our quality control department will closely monitor the production process of our products to ensure strict compliance with our standard operating procedures. Throughout our entire production process, we also conduct quality control testing at each key production stage to ensure conformity with customer specifications. Our Directors consider that early detection of non-conformity will help to reduce overall cost of productions and, more importantly, lower the risks of delay in delivery to the customer.

BUSINESS

Out-going products

Out-going quality control is the last quality control process put in place prior to the final delivery of the products to the customers. It is an important process to ensure that our products delivered to customer conformed to the customer specifications. Our quality control inspector will conduct sample testing to ensure the products comply with our quality standards.

During the Track Record Period, we have not experienced any material quality issue in relation to the raw materials, products and subcontractor's works.

ENVIRONMENTAL COMPLIANCE

During the Track Record Period, our business operations are subject to certain environmental requirements pursuant to the laws in Singapore and Malaysia, such as those in relation to disposal of industrial waste, air pollution, noise pollution, etc. For details of the regulatory requirements, please refer to the section headed "Regulatory overview" in this prospectus.

We are committed to raise the environmental awareness of our employees and thereby minimise risks of pollution that may result from our business operation. As such, we have implemented an environmental management system and it has been certified to be in accordance with the requirements of the ISO 14001 standards since February 2002.

We generally sell our scrap metal to third parties. Therefore, for the three years ended 31 December 2017, we have incurred minimal cost of environmental compliance, including waste disposal cost, amount of which was not significant to our financial performance.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance incident, nor we were subject to prosecution, conviction or penalty being brought against us under applicable environmental requirements which was material to our business operation.

INVENTORY MANAGEMENT

Our inventory mainly comprises material and finished goods, all of which were stored in our production facilities during the Track Record Period. In general, after the first article production stage, our customers will provide their production forecast to us and followed by purchase orders. The production forecast will be updated by our customers from time to time. Our planning and logistics department will then procure the required material from our approved suppliers or suppliers designated by our customers based on our production needs and inventory level.

During the Track Record Period, our inventory amounted to approximately S\$1.0 million, S\$1.2 million and S\$1.5 million, respectively. The inventory turnover days for the same period were approximately 30.9 days, 47.1 days and 40.3 days, respectively.

BUSINESS

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any significant research and development activity. Nonetheless, we develop our manufacturing capabilities primarily through staff development and investing in our production facilities.

MARKET AND COMPETITION

According to the Ipsos Report, as at 8th February 2018, there were more than 1,200 establishments classified under the SSIC 2015 code for the metal fabrication industry in Singapore. Specifically, less than 220 establishments were classified under the metal precision components market in Singapore.

According to the Ipsos Report, the metal precision components market is anticipated to grow in line with the overall positive sentiments for the metal fabrication industry as well as the increasing demand for precision engineering products in Singapore beyond 2018. As such, by the end of 2022, the metal precision components market is forecasted to grow and reach approximately S\$1.0 billion. The Ipsos Report also identified several market drivers of the metal precision components market in Singapore, namely (i) Singapore government's initiatives to improve manufacturing process and output in the country; (ii) Singapore's drive for Industry 4.0; and (iii) Singapore government's initiatives to support research and development over the next few years. For further details of these market drivers, please refer to the section headed "Industry overview – The metal precision components market prospects in Singapore – Market drivers" in this prospectus.

The Ipsos Report further identified several entry barriers faced by new competitors in the metal precision components market in Singapore, namely (i) proven track record and relationship with customers; (ii) large capital investment required to be competitive with the current industry players; and (iii) possession of a sizeable pool of trained and skilled workers and machinery/equipment. For further details of these entry barriers, please refer to the section headed "Industry overview – The metal precision components market prospects in Singapore – Entry barriers" in this prospectus.

Our Directors are of the view that our competitive strengths will enable us to maintain as an active market player in sheet metal manufacturing industry in Singapore. For details of our competitive strengths, please refer to the paragraph headed "Competitive strengths" in this section.

OUR LICENCES AND CERTIFICATIONS

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we possessed all the necessary licenses, qualifications and certifications for our business operation in Singapore and Malaysia; and (ii) we have not been refused renewal of any of our licenses, qualifications and certifications required for our activities and there were no known circumstances that would significantly prevent or delay the renewal of any of our licenses.

BUSINESS

Licences

The following table sets out our material licences specific to our business operation as at the Latest Practicable Date:

Relevant statutory board or government department	Category	Holder	Date of next renewal
Ministry of Manpower	Factory Notification	Fine Sheetmetal Technology	N/A
National Environment Act	Licence/Certificate issued under the Radiation Protection Act (<i>Note</i>)	Fine Sheetmetal Technology	31 October 2018
Royal Malaysian Customs Department	Licence to manufacture all kinds of dutiable or customs duty goods	FSM Technologies (MY)	28 February 2019
Royal Malaysian Customs Department	Licence to store all kinds of dutiable or customs duty goods	FSM Technologies (MY)	28 February 2019

Note: A licence under the Radiation Protection Act covering the use of one Class 4 laser cutting machine used in our Group's primary processing methods has been issued to Fine Sheetmetal Technology. Accordingly, our Group as a licensee has certain duties under the Radiation Protection Act, including but not limited to a duty to maintain a safe working environment for employees, and a duty to ensure no third parties are exposed to risks to their health or safety arising from the conduct of the activities of the licensee. Save for the aforementioned laser cutting machine, our Group does not own or lease any other irradiating apparatus that requires a licence under the Radiation Protection Act.

Certifications

The following table sets out our major certifications as at the Latest Practicable Date:

Nature	Certification	Awarding organisation	Scope	Holder	Date of first grant	Date of next renewal
Quality Management System Accreditation	ISO 9001:2015	SGS	Provision of sheet metal fabrication, assembly and precision machining services	Fine Sheetmetal Technologies	13 February 1995	6 February 2020

BUSINESS

Nature	Certification	Awarding organisation	Scope	Holder	Date of first grant	Date of next renewal
Environmental Management System Accreditation	ISO 14001:2015	SGS	Provision of sheet metal fabrication, assembly and precision machining services	Fine Sheetmetal Technologies	20 February 2002	19 February 2020
Occupational Health And Safety Accreditation	BizSAFE Level 3	The Workplace Safety and Health Council	n/a	Fine Sheetmetal Technologies	21 October 2016	20 October 2019
Quality Management System Accreditation	ISO 9001:2015	SGS (Malaysia) Sdn Bhd	Provision of sheet metal fabrication, assembly, precision machining and surface treatment	FSM Technologies (MY)	21 July 2008	20 July 2020
Quality Management System Accreditation	ISO 9001:2015	SGS United Kingdom Ltd	Provision of sheet metal fabrication, assembly, precision machining and surface treatment	FSM Technologies (MY)	21 July 2008	20 July 2020

OUR MAJOR AWARDS, RECOGNITIONS AND MEMBERSHIPS

The following table sets out our major awards and recognitions we received over the years up to the Latest Practicable Date:

Year(s) of awarded	Nature	Award	Awarding organisation	Recipient
2011	Quality	Certificate of appreciation	VDL	Fine Sheetmetal Technologies
2016	Management	Top 100 Elite & Trustworthy SMEs Category	Singapore Enterprise Association	Fine Sheetmetal Technologies
2017	Management	Business Eminence Awards	Dun & Bradstreet	Fine Sheetmetal Technologies

BUSINESS

We and our management have also been members of certain professional associations for engine-related products. The following table sets out some of the seats that we held as the Latest Practicable Date:

Seat of Membership	Organisation	Entity/Personnel
Corporate member	Singapore Precision Engineering and Technology Association	Fine Sheetmetal Technologies
Statutory member	Singapore Business Federation	Fine Sheetmetal Technologies
Member	Singapore Institute of Manufacturing Technology	Fine Sheetmetal Technologies

OUR INTELLECTUAL PROPERTY RIGHTS

Pursuant to the non-disclosure agreements with our customers, which states, among others, all non-public information disclosed by one party, including all drawings or documents, shall remain as the property of the disclosing party, the design of our products which was provided by our customers was not belonged to us. As at the Latest Practicable Date, we have applied for (i) registration of a trademark in each of Hong Kong, Singapore and Malaysia and (ii) a domain name. For further details of our intellectual property rights, please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix V to this prospectus.

We have confidentiality and non-disclosure covenants in place with our employees to ensure that ownership of intellectual property rights is vested in us. Besides, we have certain internal policies, such as data access system, and a data protection officer specifically assigned to ensure that our intellectual property rights are protected and the non-disclosure agreements is properly executed. Our Directors are of the view that we have taken all reasonable steps and measures to protect our intellectual property rights against any potential infringement. As at the Latest Practicable Date, we were not involved in any litigation relating to the infringement of any intellectual property rights belonging to third parties in respect of our products. Our Directors also confirmed that our Group did not receive any notice of any infringement of intellectual property rights up to the Latest Practicable Date.

OUR INSURANCE

During the Track Record Period, we have taken out insurance policies including direct building or factory insurance, direct workmen’s compensation insurance, motor vehicle insurance, group health insurance, machinery insurance and public liability insurance. Our Directors consider that our insurance coverage is adequate having considered our current business operation and the prevailing industry practice. For each of the three years ended 31 December 2017, we incurred insurance expenses of approximately S\$54,000, S\$57,000 and S\$70,000, respectively.

BUSINESS

OUR EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had 184 full time employees who were directly employed by us. The following table sets out the breakdown of our employees by function:

Function	Singapore <i>Number of employees</i>	Malaysia <i>Number of employees</i>
Directors	2	1
Senior management	4	–
Engineering	5	2
Production	41	86
Planning and logistic	6	8
Quality control	5	9
Sales and marketing	3	–
Administration and accounting	6	6
Total	72	112

As at the Latest Practicable Date, we had certain numbers of foreign workers. For the manufacturing sector in Singapore, the number of foreign workers that employers can hire is limited by the quota or dependency ratio ceiling, and employers pay the requisite levy according to the qualification of the foreign workers employed. For details, please refer to the section headed “Regulatory overview – Employment of Foreign Manpower Act” in this prospectus.

Relationship with staff

Our Directors believe our employees are valuable assets to our business. Our Directors are of the view that we have maintained an amicable relationship with our employees and we have not experienced any material discord or incidence of work stoppage which significantly affected our business operation.

Training and recruitment policies

We generally recruit our employees from open market. We intend to use our best effort to attract and retain suitable personnel to work with us. We assess the available manpower on a continuous basis and determine whether additional personnel are required to cope with our business growth. To improve our employees’ technical competence and work efficiency, we provide on-work training to our employees.

Remuneration policy

We enter into separate labour contracts with each of our employees in accordance with the applicable labour law in Singapore or Malaysia. The remuneration package we offer to our employees mainly includes wages, salaries, allowances and defined contribution plans. We

BUSINESS

generally determine employee salaries based on each employee's qualification, experience and suitability and we intend to maintain our remuneration package competitive in order to attract and retain talented labour. The performances of our employees are reviewed annually for the purposes of promotion appraisals, salary adjustments and determination of bonus.

Central Provident Fund/Employees Provident Fund

We participate in the mandatory provident fund for our employees in accordance with the relevant law in Singapore and Malaysia, and has paid the relevant contributions accordingly. For details of the mandatory provident fund in Singapore and Malaysia, please refer to the section headed "Regulatory overview" in this prospectus.

OCCUPATIONAL HEALTH AND SAFETY

We emphasise work safety to our staff and we only allow staff that have undergone the necessary training to operate our machines. We have further implemented measures to measure the daily safety requirements of consciousness at our operations. As a recognition, we have been certified to have fulfilled the requirement to attain bizSAFE Level 3.

We have not experienced any material accident in our production nor suffered any claims for personal or property damages during the Track Record Period.

OUR PROPERTIES

As at the Latest Practicable Date, we had the following property interests:

Address	Approximate gross floor area <i>sq.m.</i>	Landlord	Use of the property	Key terms of tenancy
12 Tuas Link 1 Singapore 638595 ("Singapore Property I")	5,239	JTC	Factory, warehouse and ancillary office	A tenancy period up to 31 October 2025
15 Tuas South Street 1 Singapore 638064 ("Singapore Property II")	944	JTC	Factory and warehouse	A tenancy period up to 31 December 2047
No. 33, 35, 37 Jalan Gemilang 3 Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Malaysia ("Malaysia Property I")	4,013	FSM Technologies (MY)	Factory and warehouse	N/A

BUSINESS

Address	Approximate gross floor area <i>sq.m.</i>	Landlord	Use of the property	Key terms of tenancy
No. 40 and 42 Jalan Gemilang 3 Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Malaysia (“ Malaysia Property II ”)	2,676	Independent third parties	Warehouse	Monthly rental of RM9,000.00 for each lot with tenancy period up to 14 May 2019 and 31 March 2019, respectively
Five (5) units of medium low cost flat known as Block A, Unit No. 03–10 and 03–12 and Block C, 03–14, 03–16 and 05–12, Rumah Pangsa Meranti, Jalan Kenanga Desa Cemerlang, 81800 Ulu Tiram, Johor	N/A	Independent third parties	Hostel for staff and/or workers	Monthly rental of RM2,780.00 with tenancy period up to 31 July 2019

JTC is the lead governmental agency in Singapore which plans, promotes and develops industrial facilities in Singapore, and it takes on the role of “landlord” in respect of the properties managed by it.

Our Group’s interests in Singapore Property I arise under a leasehold estate (which is a form of property ownership in Singapore) of 30 years commencing from 1 November 1995 granted by JTC, after we were assigned the interests in the property from JTC for a consideration of S\$2,824,000. Since our Group’s interests arise under a leasehold granted by JTC, we are considered a lessee of the property. Our property interest in Singapore Property I has been duly registered with the Singapore Land Registry under the instrument of lease I/34519Q. Under the terms of the lease for Singapore Property I, our interest in Singapore Property I is capable of being assigned or transferred by us to third parties (subject to, among other things, the prior written consent of JTC).

We have accepted an offer for lease from JTC in respect of Singapore Property II, for a period of 30 years commencing 1 January 2018, for a consideration of S\$2,474,000. As at the Latest Practicable Date, we have paid the consideration in full with our internal resources. Under the terms of the offer for lease, we are required to fulfil an investment of at least S\$600,000 in new plant and machinery (“**Declared Investment**”) and submit evidence of the same to JTC by 30 June 2021 before the lease for Singapore Property II will be issued. Until such time as there is a confirmation of the lease and our tenure by JTC, the offer of lease explicitly states that we are a licensee of the property, and JTC has the discretion not to grant us the lease should we fail to meet the Declared Investment criteria. As at the Latest Practicable Date, our Directors confirm that we had not made any investment in new plant and machinery for the calculation of the Declared Investment. However, in view of our intended use of the net proceeds to be

BUSINESS

received from the Share Offer to acquire several types of machinery and the timing of its implementation, our Directors are of the view that the requirements of Declared Investment can be fulfilled in the year ending 31 December 2018. For details of our future plans, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Upon the issuance of the lease by JTC, our property interest in Singapore Property II will then be registered with the Singapore Land Registry under a leasehold estate of 30 years (“**Lease Term**”) commencing 1 January 2018. Our interest in Singapore Property II will be capable of being assigned or transferred by us to third parties after the expiry of 5 years after the confirmation of tenure and excluding the last 5 years of the Lease Term (subject to, among other things, the prior written consent of JTC).

We intend to use the net proceeds to be received from the Share Offer to acquire Malaysia Property II in the second half of the year ended 31 December 2018. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Upon the successful acquisition, we intend to conduct renovation for Malaysia Property II in order to perform full range of production process. Since the current land use of Malaysia Property II is for industrial purpose, it is not required to change the permitted usage.

RISK MANAGEMENT

Risk management

During the ordinary course of our business, we are exposed to certain risks. For details of our key risks, please refer to the section headed “Risk factors” in this prospectus. The following sets out the measures under our risk management systems for managing our key risks:

Operation risk management

For risk management relating to environmental compliance, please refer to the paragraph headed “Environmental compliance” in this section.

For our occupational health and safety management system, please refer to the paragraph headed “Occupational health and safety” in this section.

Quality control risk management

For our quality control system, please refer to the paragraph headed “Quality control” in this section.

Concentration risk management

For customer concentration risk management, please refer to the paragraph headed “Our customers – Customer concentration” in this section.

Financial risk management

During our business operation, we are generally exposed to financial risks including interest rate risk, credit risk and liquidity risk. For our financial risk management, please refer to the section headed “Financial information – Capital management and financial risk management” in this prospectus and Note 3 in the Accountant’s Report in Appendix I to this prospectus.

Regulatory risk management

(i) Corporate governance measures

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. In particular, one of the primary duties of our audit committee is to review the effectiveness of our internal audit activities, internal controls and risk management systems. For further details of the three board committees, please refer to the section headed “Directors and senior management – Board committees” in this prospectus.

In addition, we will implement corporate governance measures to ensure the performance of the non-competition undertakings of our Controlling Shareholders. For details of the corporate governance measures in this regard, please refer to the section headed “Relationship with Controlling Shareholders – Corporate governance measures” in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code every financial year.

(ii) Risk management relating to compliance with the Listing Rules after Listing

In order to ensure continuous compliance with the Listing Rules after Listing, our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange. We have also appointed Sunfund Capital Limited as our compliance adviser to advise us on compliance issue.

After Listing, our executive Directors will be responsible for overseeing our compliance issues. When considered necessary and appropriate, we will also seek professional advice and assistance from independent professional advisers with regards to matters relating to our legal compliance.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any non-compliance matters which resulted or may result in a material impact on our business operation, financial condition.

Intra-group transactions

During the Track Record Period, our Group was engaged in a number of intra-group transactions. The key intra-group transactions (the “**Transactions**”) relating to our transfer pricing arrangement within our Group are as follows:

- Manufacturing services rendered by FSM Technology (MY) to Fine Sheetmetal Technologies and FSM Technology (SG)
- Manufacturing services rendered by FSM Manufacturing Solutions (MY) to FSM Technology (MY)
- Manufacturing services rendered by Evercoat Technology to Fine Sheetmetal Technologies and FSM Technology (SG)

The Transactions were carried out with consideration of prevalent market conditions and no detailed benchmarking analysis was performed at the time of entering into the Transactions to ascertain the Transactions were conducted on arm’s length basis. As such, our Group commissioned PricewaterhouseCoopers Singapore Pte. Ltd. (the “**Transfer Pricing Consultant**”) to perform an independent transfer pricing review and evaluate our transfer pricing arrangement in relation to the Transactions above (the “**Review**”) in accordance with the transfer pricing guidelines promulgated by the Organisation for Economic Co-operation and Development (the “**OECD**”) and takes into account the Malaysia and Singapore transfer pricing requirements.

Our Transfer Pricing Consultant has performed benchmarking studies to test whether the mark-up on full costs achieved by the relevant Group entities in the Transactions is comparable to the commonly observed mark-up on full costs earned by similarly placed companies in Malaysia and the Asia Pacific region (the “**Indicative Range(s)**”) so as to consider whether the Transactions were conducted on arm’s length basis.

Based on the Review, certain Transactions during the years ended 31 December 2015 and 31 December 2016 were not within the Indicative Ranges. The Group has applied for the voluntary disclosures to the relevant tax authorities, and has concluded that the aggregate

BUSINESS

additional tax and penalty for the Track Record Period of approximately S\$66,000 which are not material to our Group's financial statements. A summary of the relevant exposures is as follows.

For the year ended 31 December 2015

Name of entities	Place of operations	Additional tax and penalty
Fine Sheetmetal Technologies Pte Ltd (<i>Note 1</i>)	Singapore	S\$6,000
FSM Technology Pte Ltd (<i>Note 1</i>)	Singapore	S\$6,000
FSM Manufacturing Solutions Sdn Bhd (<i>Note 2</i>)	Malaysia	S\$2,000
Evercoat Technology Pte Ltd (<i>Note 1</i>)	Singapore	S\$6,000

For the year ended 31 December 2016

Name of entities	Place of operations	Additional tax and penalty
FSM Technologies (M) Sdn Bhd (<i>Note 2</i>)	Malaysia	S\$40,000
Evercoat Technology Pte Ltd (<i>Note 1</i>)	Singapore	S\$6,000

Notes:

- 1 As the Singapore entities have trade losses carried forward which are available to offset any additional tax for both years ended 31 December 2015 and 2016, each of them may only be subject to penalty of approximately S\$6,000.
- 2 The additional tax impact for all Malaysian entities are based on (i) tax rate of 19% for the years ended 31 December 2015 and 2016 for FSM Manufacturing Solutions Sdn Bhd, and 25% in the year ended 31 December 2015 and 24% in the year ended 31 December 2016 for FSM Technologies (M) Sdn Bhd; and (ii) penalty of 15% of the additional tax payable and 10% on the difference between the estimated tax and actual tax payable in the case where there is an underestimation of tax by more than 30% of the actual tax.

Our Directors have taken the advice from our Transfer Pricing Consultant to take all necessary measures to comply with transfer pricing regulations in both Singapore and Malaysia. In April 2018, our Group has applied for the voluntary disclosures for the respective entities in Singapore and Malaysia, and to prepare and execute the relevant agreements in relation to the Transactions. Moreover, our transfer pricing arrangements regarding the Transactions have not been challenged or investigated by the tax authorities in Malaysia and Singapore.

Based on the foregoing, our Transfer Pricing Consultant is of the view that, with the voluntary disclosures and maintaining the relevant documentation and legal agreements, our Group entities has met the transfer pricing requirements in accordance with the transfer pricing regulations in Singapore and Malaysia during the Track Record Period. The Transfer Pricing Consultant is also of the view that the likelihood of further transfer pricing adjustments to significantly increase the operating profits of the respective entities in relation to the Transactions, over and above the identified exposures for the Track Record Period is low. Our Transfer Pricing Consultant's views have been provided exclusively to and for the use by our

BUSINESS

management, which was based on the Transfer Pricing Consultant's reliance upon the accuracy and completeness of information provided by our Group as well as our management's representation of our intentions to comply with the arm's length requirements in accordance with the transfer pricing regulations in Singapore and Malaysia.

Our Group has employed Mr. Ho Rui Rong, a member of the Institute of Singapore Chartered Accountants as our financial controller in November 2017 to oversee the finance and accounting operation of our Group. With a review to ensure ongoing compliance of the applicable transfer pricing regulations, we will (i) continue to monitor our transfer pricing arrangements to ensure compliance with the arm's length principle, including reviewing the reasonableness of the pricing policy of our key intra-group transactions from time to time; (ii) assign our financial controller to monitor the amount of intra-group transactions to determine whether transfer pricing documentation reports are required to be prepared for the relevant tax authorities; and (iii) assign our financial controller to be responsible for the review on a regular basis, of our Group's compliance with relevant transfer pricing laws and regulations in Singapore and Malaysia and, where appropriate, consult an independent tax adviser. Our Directors are of the view that the above measures are sufficient and effective.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), Mr. Toe and Mrs. Toe will, through their respective holding company, KAL SG and KYL SG, hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 75% of the issued share capital of our Company. Accordingly, Mr. Toe, Mrs. Toe, KAL SG and KYL SG will be a group of Controlling Shareholders under the Listing Rules.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, our Directors and their respective close associates does not have any interest apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we can operate independently from our Controlling Shareholders following completion of the Listing based on the following reasons:

Management independence

Our Board and members of senior management function independently from our Controlling Shareholders. Our Board comprises three executive Directors and three independent non-executive Directors. Our senior management consists of four members. Our Directors believe that we are able to manage our business independently from our Controlling Shareholders based on the following reasons:

- (a) with three independent non-executive Directors out of a total of six Directors in our Board, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;
- (b) all members of our senior management are full-time employees of our Group and most of them have, for the entire Track Record Period, undertaken supervisory responsibilities in our business operations. The responsibilities of our senior management team include overseeing our daily operations, implementing our business strategies and maintaining risk management and internal control matters. This ensures the independence of our daily management and operations of from those of our Controlling Shareholders;
- (c) each of our Directors has confirmed that neither he/she nor their respective close associates has any interests in businesses which compete, or are likely to

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

compete, either directly or indirectly, with our business and each of our Directors is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director;

- (d) connected transactions between our Company and companies controlled by our Controlling Shareholders (if any) are subject to the rules and regulations under the Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval (where applicable); and
- (e) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. For further details, please refer to the paragraph headed "Corporate Governance Measures" in this section.

Operational independence

Our Directors consider that we operate independently from our Controlling Shareholders and other companies controlled by our Controlling Shareholders based on the following reasons:

- (a) our Group is the holder of all relevant licenses and permits material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (b) we have our own administrative and corporate governance functions, including our own sales, accounting and human resources departments;
- (c) we have established a set of internal control procedures to facilitate the effective operation of our business; and
- (d) there has not been any business transaction between our Group and our Controlling Shareholders and/or their respective close associates during the Track Record Period.

Financial independence

Our Directors are of the view that we will be financially independent of our Controlling Shareholders upon Listing. All loans and balances due to and from our Controlling Shareholders and our Group will be settled before the Listing. Upon Listing, there will be no amount due to or from between our Controlling Shareholders and our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, our borrowings were secured by a personal guarantee by Mr. Toe and certain finance lease liabilities of our Group were secured by personal guarantees of our Controlling Shareholders, namely Mr. Toe and Mrs. Toe. Please refer to the section headed “Financial information – Indebtedness” in this prospectus for details of our finance lease liabilities during the Track Record Period. All such personal guarantees will be released and replaced by our Company’s corporate guarantee upon Listing.

We have an independent financial system, and make financial decisions according to our own business needs. We have sufficient capital to operate our business independently, and adequate internal resources and banking facilities to support our daily operations. Our Directors consider that our finance functions are therefore independently managed with no reliance on our Controlling Shareholders.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a “**Covenantor**”, and collectively the “**Covenantors**”) has entered into the Deed of Non-Competition in favour of our Company and has jointly and severally undertaken and covenanted with our Company (for itself and as trustee of its subsidiaries) that he or it shall not, and shall procure companies controlled by him or it (other than members of our Group) not to at any time during the period that the Deed of Non-Competition remains effective, directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company (in each case whether as a shareholder, partner, agent, employee or otherwise):

- (i) carry on, engage, participate, hold any right or interest in or in any way assist in or provide support (whether financial, technical or otherwise) to any business similar to or which competes (either directly or indirectly) or is likely to compete with the business of sheet metal fabrication and provision of precision machining services and any other business conducted by our Group from time to time (the “**Restricted Business**”), save for the holding of not more than 10% shareholding interests (individually or any of the Covenantors with their associates collectively) in any listed company in Hong Kong;
- (ii) canvass, solicit, interfere with or endeavour to entice away from members of our Group any person, firm, company or organisation which to his or its knowledge has from time to time or has at any time with the immediate past one (1) year before the date of such solicitation, interference or enticement been a customer, a supplier or a business partner or employee of any members of our Group for the purpose of conducting the Restricted Business;
- (iii) procure orders from or solicit business from any person, firm, company or organisation which to his or its knowledge has dealt with any member of our Group or is in the process of negotiating with any member of our Group in relation to the Restricted Business;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) do or say anything which may be harmful to the reputation of any member of our Group or which may lead any person to reduce their level of business with any member of our Group or seek to improve their terms of trade with any member of our Group;
- (v) solicit or entice or endeavour to solicit or entice for employment by him or it or companies controlled by him or it (other than members of our Group) or at any time employ or procure the employment of any person who has, at any time within the immediate past one (1) year before the date of such solicitation or employment, been or is a director, manager, employee of or consultant to members of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business carried on by our Group;
- (vi) make use of any information pertaining to the business of our Group which may have come to his or its knowledge in his or its capacity as a shareholder of our Company or director of any member of our Group for the purpose of conducting the Restricted Business.

In addition, each of the Covenantors has jointly and severally undertaken and covenanted with our Company that if any new business opportunity relating to the Restricted Business (the “**New Business Opportunity**”) is made available to any of the Covenantors or any company controlled by him or it, directly or indirectly, whether individually or together (other than members of our Group), he or it will direct or procure the relevant controlled company to direct the New Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the relevant New Business Opportunity. The relevant Covenantor will provide or procure the relevant controlled company to provide our Group with all such reasonable assistance to secure such the New Business Opportunity.

None of the Covenantors and their relevant controlled companies (other than members of our Group) shall pursue the New Business Opportunity unless our Company decides not to pursue the New Business Opportunity. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-Acceptance Notice**”); or (ii) the Non-Acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company. Any decision of our Company as to whether or not to pursue the New Business Opportunity will have to be approved by our independent non-executive Directors and the basis for not taking up the New Business Opportunity will be disclosed in the annual reports of our Company. Our Group will not be required to pay any fees to any of the Covenantors and/or their relevant controlled companies in relation to the New Business Opportunity.

The Deed of Non-Competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The obligations of the Covenantors under the Deed of Non-Competition shall cease if:

- (a) our Shares cease to be listed on the Main Board of the Hong Kong Stock Exchange; or
- (b) the Controlling Shareholders cease to be the controlling shareholders (as defined under the Listing Rules) of our Company,

whichever occurs first.

Nothing in the Deed of Non-Competition shall prevent our Controlling Shareholders or any of their associates from carrying on any business other than the Restricted Business.

CORPORATE GOVERNANCE MEASURES

Our Company will implement the following corporate governance measures in order to manage conflict of interest following the Listing:

- (a) Any transaction made (or proposed to be made) between our Company and our connected persons will be required to comply with (i) Chapter 14A of the Listing Rules which include, but without limitation to, where applicable, the announcement, reporting, and independent Shareholders' approval requirements; and (ii) such other conditions imposed by the Hong Kong Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.
- (b) In respect of any proposed contracts or arrangements entered into or to be entered into between the Controlling Shareholders and any member of our Group, any Director who is considered to be interested in the relevant matter will be required to disclose his/her interests to the Board. Under the Memorandum and the Articles, if a director or any of his/her close associates has any material interest in respect of any contract or arrangement or proposal, the relevant director shall not be counted in the quorum of the relevant meeting of the boards of directors for the resolution, and vote on the resolution, approving such contract or arrangement or proposal.
- (c) We have appointed Sunfund Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, which will provide advice and guidance to us with respect to compliance with the Listing Rules, including but not limited to various requirements relating to Directors' duties and corporate governance.
- (d) Each of our Controlling Shareholders has undertaken to provide all information necessary for our independent non-executive Directors to review, on a semi-annual basis, the compliance and the enforcement of the Deed of Non-Competition and will disclose decisions (with basis) on matters reviewed in the interim and the annual reports of our Company or by way of announcement to be published in compliance with the disclosure requirements under the Listing Rules.
- (e) Pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The following tables set out information regarding our current Directors:

Name	Age	Present Position	Date of joining our Group	Date of appointment	Roles and Responsibilities	Relationship with other Director(s), and/or Senior Management
Executive Directors						
Mr. Toe Tiong Hock (卓仲福)	61	Chairman of the Board, executive Director and chief executive officer	3 July 1987	9 March 2018	Overall management, formulation of business strategies and supervision of operations of our Group	Spouse of Ms. Wong Yet Lian and father of Mr. Toe Wei Xian
Ms. Wong Yet Lian (黃月蓮)	60	Executive Director and chief operating officer	6 August 1992	9 March 2018	Overall management, formulation of business strategies and supervision of operations of our Group	Spouse of Mr. Toe Tiong Hock and mother of Mr. Toe Wei Xian
Ms. Lim Siew Choo	43	Executive Director	9 July 1997	9 March 2018	Overseeing the production and operation in Malaysia of our Group	Nil
Independent non-executive Directors						
Mr. Ng Hung Fai Myron (吳鴻揮)	47	Independent non-executive Director	22 June 2018	22 June 2018	Providing independent advice to the Board	Nil
Mr. Bau Siu Fung (鮑小豐)	50	Independent non-executive Director	22 June 2018	22 June 2018	Providing independent advice to the Board	Nil
Prof. Pong Kam Keung (龐錦強)	56	Independent non-executive Director	22 June 2018	22 June 2018	Providing independent advice to the Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Toe Tiong Hock (卓仲福), aged 61, was appointed as our Director on 5 February 2018 and re-designated as chairman of our Board, executive Director and chief executive officer on 9 March 2018. He is responsible for overall management, formulation of business strategies and supervision of operations of our Group. Mr. Toe is the spouse of Mrs. Toe and the father of Mr. Kyson Toe.

Mr. Toe has over 25 years of experience in the metal precision components market in Singapore. Mr. Toe joined our Group in July 1987 as a director of Fine Sheetmetal Technologies and has been a director of Fine Sheetmetal Technologies, Evercoat Technology, FSM Technology (SG), FSM Technologies (MY) and FSM Manufacturing Solution (SG).

Mr. Toe was educated to GCE Ordinary level in Singapore in 1974. Before joining our Group, from May 1983 to June 1986, Mr. Toe ran a business of installation of industrial machinery and equipment and mechanical engineering works through a partnership.

Mr. Toe has received the Public Service Medal in 2016 for his community work and contribution. He is currently the chairman of Sengkang South Citizens' Consultative Committee; a district councilor of North East Community Development Council; a member of the financial committee of Ang Mo Kio Town Council; and school advisory committee of North Vista Primary School.

Ms. Wong Yet Lian (黃月蓮), aged 60, was appointed as our Director on 5 February 2018 and re-designated as our executive Director and chief operating officer on 9 March 2018. She is responsible for overall management, formulation of business strategies and supervision of operations of our Group. Mrs. Toe is the spouse of Mr. Toe and the mother of Mr. Kyson Toe.

Mrs. Toe has over 25 years of experience in the metal precision components market in Singapore. She joined our Group in August 1992 as a director of Fine Sheetmetal Technologies, while she ceased to be the director of Fine Sheetmetal Technologies in January 2013. Mrs. Toe has been a director of FSM Technologies (MY) and FSM Manufacturing Solutions (MY).

Mrs. Toe obtained a certificate in accounting from Adult Education Board Singapore in 1977. She also passed the book-keeping examination under the Commercial Education Scheme of the London Chamber of Commerce and Industry in spring 1977. Before joining our Group, she worked with Chua Secretarial & Management Pte Ltd as an accounts executive from May 1978 to August 1992.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Lim Siew Choo, aged 43, was appointed as Director on 5 February 2018 and re-designated as our executive Director on 9 March 2018. She is responsible for overseeing the production and operation in Malaysia of our Group.

Ms. Lim has over 20 years of experience in the metal precision components market in Singapore. She joined our Group in July 1997 as a general administration staff. In January 2009, she was transferred to our Malaysia office and has been responsible for our Malaysia operation. She has been promoted as our Malaysia operations director since July 2016. She has also been a director of FSM Technologies (MY) and FSM Manufacturing Solutions (MY).

Ms. Lim obtained LCCI diploma in accounting from the Institut Masa Jaya Melaka in Malaysia in March 1995. She also attended ISO 9001:2015 transition/upgrade training from SGS in March 2016.

Independent non-executive Directors

Mr. Ng Hung Fai Myron (吳鴻揮), aged 47, was appointed as our independent non-executive Director on 22 June 2018. He is primarily responsible for providing independent advice to the Board. He is the member of the audit and nomination committees.

Mr. Ng obtained a degree of Bachelor of Arts from the University of Western Ontario in Canada in June 1995. He then obtained a degree of Master of Arts from the Chinese University of Hong Kong in December 2003, a degree of Executive Master of Business Administration from the University of Western Ontario in Canada in March 2008 and a degree of Master of Science in Financial Analysis from the Hong Kong University of Science and Technology in June 2017, all of which were on part time basis.

From 1996 to 2011, Mr. Ng worked with the Hong Kong Police Force, with his last position as a senior inspector in the Commercial Crime Bureau. Since September 2011, Mr. Ng has worked with the Link Management Limited, a company listed on the Stock Exchange (stock code: 0823) as an assistant general manager.

Mr. Bau Siu Fung (鮑小豐), aged 50, was appointed as our independent non-executive Director on 22 June 2018. He is primarily responsible for providing independent advice to the Board. He is the chairman of the audit committee and member of the remuneration committee.

Mr. Bau obtained a degree of Bachelor of Business Administration in Accountancy and Finance from Idaho State University in the U.S. in August 1997. Mr. Bau was admitted as a member of the Hong Kong Institute of Certified Public Accountants since September 2009.

Mr. Bau has over 17 years of experience in the auditing, accounting and financial management industry. From 2000 to 2004, he worked as an audit staff with several accounting firms in Hong Kong. From 2004 to October 2011, he worked with KPMG Hong Kong & KPMG Huazheng, PRC as an audit manager. From November 2011 to January 2017, Mr. Bau was appointed as an executive director of Sheen Tai Holdings Group Company Limited, a company

DIRECTORS AND SENIOR MANAGEMENT

listed on the Stock Exchange (stock code: 1335) while he also worked as its chief financial officer, company secretary and authorised representative until September 2017. Mr. Bau has been appointed as an independent non-executive director of AUX International Holdings Limited, a company listed on the Stock Exchange (stock code: 2080) since May 2015.

Prof. Pong Kam Keung (龐錦強), aged 56, was appointed as our independent non-executive Director on 22 June 2018. He is primarily responsible for providing independent advice to the Board. He is the chairman of the remuneration committee and member of the audit and nomination committees.

Prof. Pong obtained a degree of Bachelor of Science in building surveying from the Thames Polytechnic, United Kingdom in June 1989, a degree of Master of Science in property investment from the City University of London in United Kingdom in December 1993, a degree of Bachelor of Laws from the University of Wolverhampton in United Kingdom in September 1995, a degree of Master of Science in urban planning from the University of Hong Kong in December 2005 and a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in October 2008. Prof. Pong has been a fellow of the Hong Kong Institute of Facility Management, the Hong Kong Institute of Surveyors, the Chartered Institute of Arbitrators, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Chartered Secretaries and a member of the Royal Town Planning Institute since July 2000, November 2000, January 2001, January 2006, October 2012 and January 2007, respectively. Prof. Pong was registered as a chartered building engineer by the Chartered Association of Building Engineers in February 2014.

From July 2004 to July 2013, Prof. Pong was the chief prosecution officer of Environmental Protection Department of the Hong Kong Government. He was a member of the Appeal Tribunal Panel of the Housing, Planning and Lands Bureau of the Hong Kong Government from February 2007 to November 2012 and a member of the Advisory Committee on Barrier Free Access of the Buildings Department from August 2001 to July 2003. Prof. Pong served as a director of education and membership of the Hong Kong Institute of Facility Management from October 2008 to October 2009. He has been an adjunct professor at the division of environment of the Hong Kong University of Science and Technology since December 2013 and a member of Governance & Quality Committee of the Hong Kong Green Building Council Limited since January 2017.

Prof. Pong acted as an executive director of Sundart Holdings Limited, a company listed on the Stock Exchange (stock code: 1568) from July 2015 to February 2018. Prof. Pong has been a non-executive director of Star Properties Group (Cayman Islands) Limited, a company listed on the Stock Exchange (stock code: 1560) since March 2016. Prof. Pong has also been an independent non-executive director of Shuang Yun Holdings Limited, a company listed on the Stock Exchange (stock code: 1706), Wang Yang Holdings Limited, a company listed on the Stock Exchange (stock code: 1735) and HKE Holdings Limited, a company listed on the Stock Exchange (stock code: 1726) since October 2017, March 2018 and March 2018, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, each of the Directors has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DISCLOSURE REQUIRED UNDER RULE 13.51(2) OF THE LISTING RULES

Our Directors were directors of the following companies prior to their respective dissolution. Our directors confirmed that the companies were solvent and inactive at the time of their dissolution and that their dissolution had not resulted in any liability or obligation against them. The following are details of the aforementioned dissolved companies:

Relevant Directors	Name of Company	Place of incorporation/ establishment	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution
Mr. Toe Mrs. Toe	Beijing Fine Sheetmetal Technology Co., Ltd. (北京精和美金屬科技有限公司)	PRC	Manufacture of metal structure	20 February 2014	Deregistration
Prof. Pong Kam Keung	Master Bright International Limited (萬光國際有限公司)	Hong Kong	Inactive	30 December 2005	Deregistration
	New China Investment Limited (新中國投資有限公司)	Hong Kong	Inactive	30 December 2005	Deregistration

Save as disclosed in this prospectus, each of our Directors confirms with respect to him that: (a) he does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (b) he does not have any relationship with any other Directors, senior management, substantial shareholder or controlling shareholder of our Company as at the Latest Practicable Date; (c) he does not have any interests in our Shares within the meaning of Part XV of the SFO; (d) he does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under the Listing Rules; and (e) to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following tables set out information regarding our senior management:

Name	Age	Present Position	Date of joining our Group	Roles and Responsibilities	Relationship with other Director(s), and/or Senior Management
Kwa Teow Huat (柯兆發)	55	Chief financial officer and chief information officer	13 December 2017	Overseeing the finance and accounting operation and the information technology systems of our Group	Nil
Loh Soo Hwa (羅速華)	48	Sales and business development head	1 September 1998	Overseeing the sales operation of our Group and building relationships with customers	Nil
Toe Wei Xian (alias Zhuo Weixian) (卓維賢)	27	Singapore operations director	21 March 2011	Overseeing the production and operation in Singapore of our Group	The son of Mr. Toe Tiong Hock and Ms. Wong Yet Lian
Ho Rui Rong (何瑞榮)	29	Financial controller	4 November 2017	Overseeing the finance and accounting operation of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwa Teow Huat (柯兆發), aged 55, is our chief financial officer and chief information officer. He joined our Group in December 2017 and has been our chief financial officer and chief information officer since then. He is primarily responsible for overseeing the finance and accounting operation and the information technology systems of our Group.

Mr. Kwa obtained a degree of Bachelor of Commerce from the University of Western Australia in Australia in April 1989 and a degree of Master of Business Administration from the University of Hull in United Kingdom in October 1994, through long distance learning course. He also obtained an executive diploma in directorship from the Singapore Management University in June 2015. Mr. Kwa was elected as a senior member of the Singapore Computer Society in July 2009 and qualified as a chartered accountant of Singapore in July 2013. He was also qualified as a project management professional in the Project Management Institute in August 2011 and a certified information security manager in Information Systems Audit and Control Association in January 2017.

Before joining our Group, Mr. Kwa has gained working experience in different professional fields since 1987. Mr. Kwa had formerly worked at various consulting companies, including Hewlett Packard Consulting and Integration as a consulting director, BearingPoint China as a consulting director, Accenture China as a consulting director, Manhattan Associates as a sales director, and Lodestone Management Consultants Pte Ltd as a consulting director. Mr. Kwa was also formerly employed by various information technology companies, including IBM Singapore as a financial system support engineer, Oracle Corporation as a sales director, and Hitachi Asia Pte Ltd as a sales and marketing director. Mr. Kwa had previously worked at various accounting, tax and advisory companies, including Arthur Anderson as a consultant and Andersen Consulting as a senior manager. He had also been engaged by various cyber security companies, including NTT Com Security (formerly known as Integralis Singapore Pte Ltd) as a consulting and sales vice president, ST Electronics (Info-Security) Pte Ltd as a head of sales director, and Certis Cisco Singapore Pte Ltd as a deputy head in professional services.

Mr. Kwa is currently the vice chairman of Seng Kang South Citizens' Consultative Committee and a member of the school of digital media and infocomm technology advisory committee of the Singapore Polytechnic.

Mr. Loh Soo Hwa (羅速華), aged 48, is our sales and business development head. He joined our Group in September 1998 as a sales and business development manager and was promoted as the sales and business development headed since September 1998. He is primarily responsible for overseeing the sales operation of our Group and building relationships with customers.

Mr. Loh obtained the national trade certificate grade three in electrical fitting and installation from the Vocational and Industrial Training Board of Singapore in March 1989. Before joining our Group, Mr. Loh had over eight years of experience in the manufacturing industry, working as a sales related position.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Toe Wei Xian (alias Zhuo Weixian) (卓維賢), aged 27, is our Singapore operations director. He joined our Group in March 2011 as a production assistant engineer. Since March 2017, he has worked as the Singapore operations director. He is primarily responsible for overseeing the production and operation in Singapore of our Group.

Mr. Toe obtained National ITE Certificate in laser & tooling technology from the Institute of Technical Education in Singapore in December 2013 and diploma in mechanical engineering from the Singapore Polytechnic in March 2017.

Mr. Ho Rui Rong (何瑞榮), aged 29, is our financial controller. He joined our Group in November 2017 and has been our financial controller since then. He is primarily responsible for overseeing the finance and accounting operation of our Group.

Mr. Ho obtained a degree of Bachelor of Accountancy from Nanyang Technological University in Singapore in June 2012. In April 2016, he was awarded Chartered Accountant of Singapore, registered under the Singapore Accountancy Commission (SAC) Act and was admitted as a Member of the Institute of Singapore Chartered Accountants.

Before joining our Group, Mr. Ho worked with Foo Kon Tan Grant Thornton LLP as a senior associate from July 2012 to November 2014. From November 2014 to November 2017, he then worked with Ernst & Young LLP as a senior audit associate.

Save as disclosed above, each of the senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. Cheng Florence Ga Sui (鄭家穗), aged 46, was appointed as our company secretary of our Company on 6 March 2018 and is responsible for our secretarial affairs.

Ms. Cheng has about 10 years of experience in company secretarial work. Ms. Cheng served as the customer services executive in technical team of Offshore Incorporations Limited from May 2007 to July 2008. From November 2008 to January 2012, she was a company secretarial officer of ATC (Hong Kong) Limited. From January 2012 to March 2013, she worked with Phoenix Satellite Television Company Limited as the company secretary assistant. She then joined Vistra Corporate Services (HK) Limited and worked as a company secretarial manager from August 2013 to May 2016, and since October 2016 she has been working with BPO Global Service Limited as its company secretarial director.

Ms. Cheng obtained her Bachelor of Arts degree in business administration from the University of Wolverhampton in United Kingdom and her Master of corporate governance from the Hong Kong Polytechnic University in July 2003 and October 2008 respectively. She has been an associate member of the Hong Kong Institute of Chartered Secretaries since May 2013.

DIRECTORS AND SENIOR MANAGEMENT

In the three years preceding the Latest Practicable Date, Ms. Cheng has not held any directorship in any public companies the securities of which are listed on any securities in Hong Kong or overseas.

Ms. Cheng does not act as our full-time employee but she has been appointed as our company secretary pursuant to our engagement of an external company secretarial services provider, BPO Global Services Limited, to provide company secretarial services to us. Ms. Cheng's major roles in BPO Global Services Limited include advising its board of directors on corporate governance matters and facilitating the induction and professional development of directors. As Ms. Cheng is supported by different designated teams of professional staff within BPO Global Services Limited, she is confident that she is able to allocate sufficient time and has professional resources to perform her role as the company secretary of our Company. In view of the aforesaid, our Directors concur with the view of Ms. Cheng that despite Ms. Cheng is not our employee, she is able to allocate sufficient time and has professional resources to perform her role as the company secretary of our Company.

BOARD COMMITTEES

Audit committee

We established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C3.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules pursuant to a resolution of our Directors passed on 22 June 2018. The primary duties of our audit committee are, among others, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by our Board.

At present, our audit committee comprises three independent non-executive Directors, namely Mr. Bau Siu Fung, Mr. Ng Hung Fai Myron and Prof. Pong Kam Keung. Mr. Bau Siu Fung is the chairman of our audit committee.

Remuneration committee

We established a remuneration committee on 22 June 2018 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B1.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of our remuneration committee are to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determine their own remuneration.

At present, our remuneration committee comprises two independent non-executive Directors and one executive Director, namely Prof. Pong Kam Keung, Mr. Bau Siu Fung and Ms. Wong Yet Lian. Prof. Pong Kam Keung is the chairman of our remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

We established a nomination committee on 22 June 2018 with written terms of reference in compliance with paragraph A5.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of our nomination committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our nomination committee comprises two independent non-executive Directors and one executive Director, namely Mr. Toe Tiong Hock, Mr. Ng Hung Fai Myron and Prof. Pong Kam Keung. Mr. Toe Tiong Hock is the chairman of our nomination committee.

CORPORATE GOVERNANCE

Our Company intends to comply with all code provisions in the Corporate Governance Code after Listing except for paragraph A.2.1 of the Corporate Governance Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of Chairman and chief executive officer of our Company are currently performed by Mr. Toe. In view of Mr. Toe's substantial contribution to our Group for over 30 years and his extensive experience in the metal precision components market, we consider that having Mr. Toe acting as both our Chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Toe continues to act as both our Chairman and chief executive after the Listing, and therefore currently do not propose to separate the functions of Chairman and chief executive officer.

COMPLIANCE ADVISER

We have appointed Sunfund Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the term commencing on the Listing Date and ending on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

Pursuant to Rule 3A.23 of the Listing Rules, we shall seek advice from our compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate to a material extent from any forecast, estimate, or other information in this prospectus; and

DIRECTORS AND SENIOR MANAGEMENT

- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to our performance. We also reimburse them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by us from time to time or for providing services to us or executing their functions in relation to our business and operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and our performance.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

For the three years ended 31 December 2017, the aggregate emoluments including fee, salaries, other allowances and benefits in kind, discretionary bonuses and defined contribution pension costs, paid to our Directors by us was approximately S\$0.6 million, S\$0.6 million and S\$0.6 million, respectively.

For the three years ended 31 December 2017, the five individuals whose emoluments were the highest in our Group include two, two and two Directors, respectively, the aggregate emolument including salaries and wages and defined contribution plans, paid to the remaining five highest paid individuals by us was approximately S\$0.2 million, S\$0.2 million and S\$0.2 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of each of the three years ended 31 December 2017.

Under the arrangements currently in force, we estimate that the aggregate emoluments payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2018 will be approximately S\$0.6 million. Upon completion of the Listing, our remuneration committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the emoluments will be subject to approval by our Shareholders. Accordingly, the historical emoluments to our Directors during the Track Record Period may not reflect the future levels of emoluments of our Directors.

During the Track Record Period, no emoluments was paid by us to, or received by, our Directors or the five highest individuals as an inducement to join or upon joining us or as

DIRECTORS AND SENIOR MANAGEMENT

compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

For additional information on Directors' emoluments during the Track Record Period as well as information on the five highest paid individuals, please refer to the Accountant's Report in Appendix I to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the section headed "Statutory and general information – D. Share Option Scheme" in Appendix V to this prospectus.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer will be as follows:

<i>Authorised Share Capital:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>20,000,000.00</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>		<i>HK\$</i>
12,751,804	Shares in issue as at the Latest Practicable Date	127,518.04
737,248,196	Shares to be issued pursuant to the Capitalisation Issue	7,372,481.96
<u>250,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,500,000.00</u>
<u>1,000,000,000</u>	Total	<u>10,000,000.00</u>

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholder passed on 22 June 2018, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 737,248,196 Shares credited as fully paid at par to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 22 June 2018 in proportion to its/their then existing shareholdings (as nearly as possible without involving fractions) by way of capitalisation of the sum of HK\$7,372,481.96 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Public Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or

SHARE CAPITAL

grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 4. Written resolutions of the Shareholders” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Public Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and

SHARE CAPITAL

regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company – 6. Repurchase of our Company’s own Shares” in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed “A. Further information about our Company – 4. Written resolutions of the Shareholders” and “A. Further information about our Company – 6. Repurchase of our Company’s own securities” in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

LONG POSITION IN THE SHARES

Shareholder	Capacity/nature	Number of Shares held/interest immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
KAL SG (<i>Note</i>)	Beneficial owner	750,000,000	75%
KYL SG (<i>Note</i>)	Beneficial owner	750,000,000	75%
Mr. Toe (<i>Note</i>)	Interest in controlled corporation	750,000,000	75%
Mrs. Toe (<i>Note</i>)	Interest in controlled corporation	750,000,000	75%

Note: Since (i) Mr. Toe is the spouse of Mrs. Toe and (ii) KAL SG and KYL SG are wholly owned by Mr. Toe and Mrs. Toe, respectively, each of KAL SG, KYL SG, Mr. Toe and Mrs. Toe is deemed to be interested in all the Shares held by KAL SG and KYL SG for the purpose of SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial information, including the notes thereto, as set out in the Accountant's Report in Appendix I to this prospectus (the "Historical Financial Information"). Our Historical Financial Information has been prepared in accordance with the IFRS. You should read the entire Accountant's Report and not merely rely on the information contained in this section. The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should see "Risk Factors" in this prospectus.

OVERVIEW

We are a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. Sheet metal fabrication is the use of sheet metal to produce structures and products for various application, whereas precision engineering requires attention to detail and knowledge for careful application of measurements, control and fabrication methods which supports the production of complex components in various industries.

Having an operating history of over 25 years and through our continuing efforts, our Directors believe that we have built a reputation as a quality and reliable sheet metal fabricator and precision machining service provider in Singapore. During the Track Record Period, we generally produced and supplied customised sheet metal products to customers who were mainly brand owners and contract manufacturers. We generally sold and delivered our sheet metal products to our customers' designated facilities in Singapore after which our customers, both contract manufacturers and brand owners, would integrate our sheet metal products into machineries used for various applications such as semiconductor manufacturing, machinery and machine tools manufacturing and printing application. We also provided precision machining services to semi-finished products of our customers.

As at the Latest Practicable Date, our business was headquartered in Singapore with production facilities in both Singapore and Malaysia. During the Track Record Period, our major customers included subsidiaries of several established multi-national companies. By deploying advanced production machineries and techniques, we offered our customers comprehensive services tailored for their specific designs and specifications, ranging from providing engineering solutions and feedbacks on their designs and producing first articles, to manufacturing, testing and assembling of the products, as well as providing after-sales technical support. We generally carry out our productions with our own machineries and workers while we also engage subcontractors to perform some of the post-treatment processes to achieve better cost efficiency. During the Track Record Period, suppliers which are specific to our business and are required on a regular basis for our business operations mainly include suppliers of material and subcontractors.

FINANCIAL INFORMATION

Our Directors also believe that, due to the complexity and precision requirements of machineries produced by our customers, distinctive and consistent quality production is critical to our success. As such, in addition to our commitment to high technical quality, we have implemented a quality management system which has been certified to be in compliance with the requirements of ISO 9001 accreditation since February 1995.

For each of the three years ended 31 December 2017, our revenue was approximately S\$18.5 million, S\$12.6 million and S\$20.8 million, respectively, and our profit for the year was approximately S\$5.6 million, S\$2.2 million and S\$6.1 million.

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated in the Cayman Islands on 5 February 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. In anticipation of the Listing, we underwent the Reorganisation, pursuant to which our subsidiaries were transferred to our Company and our Company became the holding company of the Group upon completion of the Reorganisation.

The financial information set out in Appendix I – Accountant’s Report has been prepared in accordance with IFRS issued by International Accounting Standards Board (“**the IASB**”). The basis of preparation of our financial information is set out in note 2.1 “Basis of preparation” of the Accountant’s Report in Appendix I to this prospectus.

The financial information is presented in S\$ which is also the functional and presentation currency of the Company. All values are round to nearest thousands except when otherwise indicated. It should be noted that accounting estimates and assumptions are used in the preparation of the financial information. Although these estimates and assumptions are based on management’s best knowledge and assumptions the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 4 to the “Appendix I – Accountant’s Report”.

SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition are most significantly affected by factors, many of which are beyond our control, including those set forth below.

We derive a significant portion of our revenues from several of our major customers

During the three years ended 31 December 2015, 2016 and 2017, sales to our top five customers for the corresponding year in aggregate accounted for approximately 96.6%, 98.9% and 98.9% of our total revenue, respectively. Our top customer for the corresponding year accounted for approximately 32.9%, 43.7% and 48.7% of our total revenue for the three years ended 31 December 2015, 2016 and 2017, respectively.

FINANCIAL INFORMATION

Therefore, our sales would be significantly affected by the business performances of these customers, as well as other factors affecting their purchases from us, many of which are beyond our control. Adverse changes to the economic conditions of the markets which our customers operate in, weak demand for machineries produced by our customers and unsuccessful sales and marketing efforts by our customers, among other factors, may negatively affect their purchasing practices and may result in a reduction of their purchase orders for our sheet metal products and precision machining services. Although we have maintained good relationships with our customers and will use our best efforts to expand our customer base, we expect revenue from top five customers to continue to account for a significant portion of our revenue. If one or more major customers were to cease to conduct business with us and we were unable to attract new customers or expand our business with other existing customers, our business, financial condition and results of operations could be materially and adversely affected.

Our business is closely related to the product life cycle of machineries produced by our customers and principal customers

During the Track Record Period, we generally produced and supplied a mix of customised sheet metal products used in various application industries by our customers as parts of machineries produced by them. As such, the product life cycle of machineries produced by our customers or principal customers will have a corresponding effect on the demand of our products and services. For new products or services, we are generally required to go through a first article production process in which our customers can confirm with us the functionality and quality of the products to be produced. The whole process usually takes up to 12 weeks. For further details of our first article production, please refer to the section headed “Business – Operation flow – First article production” in this prospectus.

As a result, due to the lower quantity required in the first article production process, whenever the product life cycle of a machineries produced by our customers ends and we are required to go through a first article production process for their new product, we may experience a material adverse change in our financial condition and results of operations.

Our customers may amend their demand forecasts, change production volume or timing of delivery, which may in turn affect our results of operations

During the Track Record Period, we plan our production and inventory levels based on production forecasts and purchase orders of our customers, as well as our internal assessments. However, these forecasts are indicative and may not reflect the actual volume or timing of the final purchase orders. The volume and timing of sales to our customers may vary due to various factors, such as (i) variation in demand for or discontinuation of our customers’ products; (ii) changes in our customers’ manufacturing strategies; (iii) our customers’ attempts to manage their inventory; (iv) design changes; and (v) acquisitions of or consolidation among customers. The variations in volume and timing of sales make it difficult to schedule production and optimise utilisation of production capacity. These changes may occur at any time without prior notice and we may not have sufficient capacity to fulfil these purchase orders in a timely fashion. While we generally procure materials based on purchase orders, we may make reference to these forecasts

FINANCIAL INFORMATION

as a basis for our procurement of certain materials that require a longer lead time. Substantial differences between our customers' purchase orders and their forecasts may result in excess or shortage of key materials in our inventory. This uncertainty may also require us to incur additional expenses in order to meet an unexpected increase in customer demand, potentially placing a significant burden on our resources. Further, in order to secure sufficient production scale, we may make capital investments in advance based on anticipated customer demand. Since fixed costs make up a proportion of our total production costs, any cancellation, reduction or hastened purchase orders that our customers would negatively affected the results of our operations and our gross profit.

Fluctuations in prices of labour costs and materials

Our direct labour costs primarily consist of wages and salaries, other allowances and welfares. For the years ended 31 December 2015, 2016 and 2017, our direct labour costs amounted to approximately S\$4.6 million, S\$3.1 million and S\$5.0 million, respectively. In the event that there is any significant increase in the direct labour costs, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

During the Track Record Period, we procured materials which mainly included aluminium sheets, mild steel sheets and electrogalvanised plates for the production of our metal parts. For the three years ended 31 December 2017, our direct material costs amounted to approximately 32.8%, 29.3% and 30.1% of our total cost of sales, respectively. If prices of our material supplies substantially increase, we may incur additional costs to acquire sufficient quantity of these materials to meet our production needs. In addition, if we cannot identify alternative sources of quality materials when needed, at acceptable prices or with the required quantity and quality, or at all, the resulting loss of production volume may materially and adversely affect our ability to deliver products to our customers in a timely manner, or at all, and therefore our business, financial condition, results of operations and prospects could be materially and adversely affected. The impact of any volatility in the prices of materials we rely on or the reduction in the demand for certain products caused by such price volatility of materials could result in a loss of revenue and profitability and could adversely affect our results of operations.

Sensitivity analysis

We generally use a cost-plus method to price our sheet metal products. In addition, fluctuations in direct labour costs are shared between our customers and us while fluctuations in cost of materials could generally be shifted partially to our customers.

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the direct labour cost on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 4.0% and 5.9%, with reference to the historical price trend of monthly wages of workers in the manufacturing industry in Singapore and Malaysia from 2012 to 2017 as shown in Ipsos Report and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations	+/-4.0%	+/-5.9%
Increase/decrease in net profit before tax		
Year ended 31 December 2015	+/-S\$0.2 million	+/-S\$0.3 million
Year ended 31 December 2016	+/-S\$0.1 million	+/-S\$0.2 million
Year ended 31 December 2017	+/-S\$0.2 million	+/-S\$0.3 million

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the direct material cost on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 4.0% and 9.8%, with reference to the historical price trend of aluminium, mild steel sheets and electrogalvanised plate in Singapore from 2012 to 2017 as shown in the Ipsos Report and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations	+/-4.0%	+/-9.8%
Increase/decrease in net profit before tax		
Year ended 31 December 2015	+/-S\$0.2 million	+/-S\$0.4 million
Year ended 31 December 2016	+/-S\$0.1 million	+/-S\$0.2 million
Year ended 31 December 2017	+/-S\$0.1 million	+/-S\$0.4 million

Government grants or scheme

Singapore government provided various grants and schemes, such as PIC Scheme to encourage business organisations to improve productivity. The qualifying conditions to claim tax deductions under the PIC Scheme are as follows: (i) the company carries on active business operations in Singapore; and (ii) the company has incurred qualifying expenditure (i.e. capital expenditure incurred on the acquisition of PIC Scheme related information technology and automation equipment) and such company is allowed to enjoy of 400% tax deduction during the basis period of qualifying year of assessment. During the Track Record Period, our Group incurred certain qualified capital expenditure and we were granted related tax incentives by the local tax authority of Singapore for each of the years ended 31 December 2015, 2016 and 2017, respectively. Since the PIC Scheme will expire in year of assessment 2018 and there is no assurance that similar grants or schemes after the expiry of the PIC Scheme will be provided by the Singapore government, our financial performance is expected to be adversely affected as we will be required to pay more tax.

FINANCIAL INFORMATION

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Revenue recognition

Revenue is measured at fair value of consideration received or amounts receivable for goods and services provided to customers in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of sheet metal products is recognised at the time when the products are delivered to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured. Customer acceptance and collectability of related receivables are only assured upon receipt of the customer acknowledged delivery order, whereby sales are recognised.

Revenue from the provision of machining services is recognised at the time when the services are rendered and customers have accepted the processed products in accordance with the customer purchase orders.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at historical cost including expenditure that is directly attributable to the acquisition of the items. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses if any.

Freehold land is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives.

Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and purchased parts: purchase costs on a first-in first-out basis.
- Finished goods: cost of materials and direct labour and a proportion of manufacturing overheads based on normal operating capacity.

These costs are assigned on a first-in first-out basis. Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	18,531	12,598	20,791
Cost of sales	<u>(11,599)</u>	<u>(8,561)</u>	<u>(12,215)</u>
Gross profit	6,932	4,037	8,576
Other income	108	115	92
Other gains/(losses), net	507	254	(100)
Selling and distribution expenses	(251)	(212)	(244)
Administrative expenses	<u>(1,689)</u>	<u>(1,530)</u>	<u>(1,823)</u>
Operating profit	5,607	2,664	6,501
Finance costs, net	<u>(82)</u>	<u>(60)</u>	<u>(39)</u>
Profit before income tax	5,525	2,604	6,462
Income tax credit/(expense)	<u>60</u>	<u>(360)</u>	<u>(324)</u>
Profit for the year attributable to owners of the Company	<u><u>5,585</u></u>	<u><u>2,244</u></u>	<u><u>6,138</u></u>

FINANCIAL INFORMATION

SELECTED INCOME STATEMENT ITEMS

Revenue

Our revenue is generated from (i) sale of sheet metal products and (ii) provision of precision machining services. Our total revenue amounted to approximately S\$18.5 million, S\$12.6 million and S\$20.8 million for the years ended 31 December 2015, 2016 and 2017, respectively.

The following table sets out the breakdown of our revenue from (i) sale of sheet metal products and (ii) precision machining services during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Sale of sheet metal products	18,531	100.0	12,598	100.0	19,996	96.2
Precision machining services	—	—	—	—	795	3.8
Total	18,531	100.0	12,598	100.0	20,791	100.0

For the years ended 31 December 2015, 2016 and 2017, our revenue was approximately S\$18.5 million, S\$12.6 million and S\$20.8 million, respectively. Revenue from the sale of sheet metal products accounted for approximately S\$18.5 million, S\$12.6 million and S\$20.0 million for the years ended 31 December 2015, 2016 and 2017, respectively, representing 100.0%, 100.0% and 96.2% of total revenue of the corresponding periods. Revenue from the provision of precision machining services accounted for approximately nil, nil and S\$0.8 million for the years ended 31 December 2015, 2016 and 2017, respectively, representing nil, nil and 3.8% of total revenue of the corresponding periods.

FINANCIAL INFORMATION

The following table sets out the breakdown of our revenue generated from the sale of sheet metal products by the type of application of our products during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Semiconductor manufacturing	9,948	53.7	5,880	46.7	10,875	54.4
Machinery and machine tools manufacturing	6,184	33.4	5,540	44.0	8,056	40.3
Printing application	1,050	5.6	989	7.8	830	4.2
Others (<i>Note</i>)	1,349	7.3	189	1.5	235	1.1
	<u>18,531</u>	<u>100.0</u>	<u>12,598</u>	<u>100.0</u>	<u>19,996</u>	<u>100.0</u>

Note: Others mainly include security related applications and sale of miscellaneous small parts.

We generate revenue from the sale of sheet metal products to our customers, who would integrate and assemble our products into machineries used for various applications, such as semiconductor manufacturing, machinery and machine tools manufacturing and printing application. We also generate revenue from the provision of precision machinery services on semi-finished products to our customers.

Our revenue from the sale of sheet metal products decreased for the year ended 31 December 2016 as compared to the same for the year ended 31 December 2015. This was mainly due to sale of sheet metal products relating to semiconductor manufacturing and security related application. The revenue from the sale of sheet metal products for machineries used for semiconductor manufacturing decreased from approximately S\$9.9 million for the year ended 31 December 2015 to approximately S\$5.9 million for the year ended 31 December 2016. For the sale of products relating to other applications, the amount of revenue decreased from approximately S\$1.3 million for the year ended 31 December 2015 to S\$0.2 million for the year ended 31 December 2016. The decrease was mainly attributed to the decrease in demand from a customer for products relating to security related applications.

Our revenue from the sale of sheet metal products increased significantly from approximately S\$12.6 million for the year ended 31 December 2016 to S\$20.0 million for the year ended 31 December 2017, representing approximately 58.7% increment. Such increase was primarily the result of increase in sales orders from customers for sheet metal products relating to machinery and machine tools manufacturing due to the increase in the demand for two products, and semiconductor manufacturing due to the introduction of a new product.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales primarily consists of direct material costs, direct labour costs, subcontracting costs and manufacturing overheads. The following table sets out a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Direct material costs	3,805	32.8	2,505	29.3	3,673	30.1
Direct labour costs	4,589	39.6	3,082	36.0	5,046	41.3
Subcontracting costs	1,050	9.1	869	10.2	1,451	11.9
Manufacturing overheads	2,155	18.5	2,105	24.5	2,045	16.7
	<u>11,599</u>	<u>100.0</u>	<u>8,561</u>	<u>100.0</u>	<u>12,215</u>	<u>100.0</u>

Our cost of sales decreased by approximately 26.2% for the year ended 31 December 2016. In term of percentage, the decrease in our cost of sales was less than that of decrease in revenue for the same periods. It was primarily because the decrease in our manufacturing overheads being relatively less sensitive to the decrease in sales for the year ended 31 December 2016. Our cost of sales increased by approximately 42.7% for the year ended 31 December 2017 as compared to the increase in revenue of approximately 65.0% for the same periods. This was mainly due to economies of scale being enjoyed with the increase in revenue for the year ended 31 December 2017.

Direct material costs comprises purchase costs of sheet metal, standard parts and consumables. For the three years ended 31 December 2015, 2016 and 2017, direct material costs accounted for approximately S\$3.8 million, S\$2.5 million and S\$3.7 million, representing 32.8%, 29.3% and 30.1% of the total cost of sales for the corresponding periods, respectively.

Direct labour costs are the largest component of our cost of sales and comprise salaries and related costs of our employees involved in our manufacturing process. For the three years ended 31 December 2015, 2016 and 2017, direct labour costs accounted for approximately S\$4.6 million, S\$3.1 million and S\$5.0 million, representing 39.6%, 36.0% and 41.3% of the total cost of sales for the corresponding periods, respectively.

Subcontracting costs comprise subcontracting costs paid to subcontractors for performing post-treatment process, including plating and silk-screen printing. For the three years ended 31 December 2015, 2016 and 2017, subcontracting costs accounted for approximately S\$1.1 million, S\$0.9 million and S\$1.5 million, representing 9.1%, 10.2% and 11.9% of the total cost of sales for the corresponding periods, respectively.

Manufacturing overheads comprise depreciation, utilities, repair and maintenance expenses and other miscellaneous expenses. For the three years ended 31 December 2015, 2016 and 2017, manufacturing overheads accounted for approximately S\$2.2 million, S\$2.1 million and S\$2.0 million, representing 18.5%, 24.5% and 16.7% for the corresponding periods, respectively.

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets out our Group's gross profit and gross profit margin from (i) sale of sheet metal products and (ii) precision machining services and by types of application of our products for the Track Record Period:

	Year ended 31 December								
	2015			2016			2017		
	<i>S\$'000</i>	%	<i>Gross profit margin</i>	<i>S\$'000</i>	%	<i>Gross profit margin</i>	<i>S\$'000</i>	%	<i>Gross profit margin</i>
Sale of sheet metal products									
Semiconductor manufacturing	3,989	57.5	40.1	1,969	48.8	33.5	4,864	56.8	44.7
Machinery and machine tools manufacturing	2,204	31.8	35.6	1,778	44.0	32.1	3,057	35.6	37.9
Printing application	295	4.3	28.1	235	5.8	23.8	252	2.9	30.4
Others (<i>Note</i>)	444	6.4	32.9	55	1.4	27.8	76	0.9	32.3
	<u>6,932</u>	<u>100.0</u>	<u>37.4</u>	<u>4,037</u>	<u>100.0</u>	<u>32.0</u>	<u>8,249</u>	<u>96.2</u>	<u>41.3</u>
Provision of precision machining services	<u>-</u>	<u>-</u>	N/A	<u>-</u>	<u>-</u>	N/A	<u>327</u>	<u>3.8</u>	41.1
	<u><u>6,932</u></u>	<u><u>100.0</u></u>	<u>37.4</u>	<u><u>4,037</u></u>	<u><u>100.0</u></u>	<u>32.0</u>	<u><u>8,576</u></u>	<u><u>100.0</u></u>	41.2

Note: Others include security-related application and system suppliers.

For the three years ended 31 December 2015, 2016 and 2017, our gross profit amounted to approximately S\$6.9 million, S\$4.0 million and S\$8.6 million, respectively, and our gross profit margin was approximately 37.4%, 32.0% and 41.2%, respectively. Our gross profit decreased for the year ended 31 December 2016 as compared to the same for the year ended 31 December 2015, mainly due to our decreased sale of sheet metal products for machineries used for semiconductor manufacturing, machinery and machine tools manufacturing and security-related application. The gross profit margin decreased from approximately 37.4% for the year ended 31 December 2015 to approximately 32.0% for the year ended 31 December 2016. This was mainly due to (i) the decrease in sale of products relating to semiconductor manufacturing and (ii) some of our production overhead costs were fixed costs and were relatively less sensitive to our decrease in sales for the year ended 31 December 2016. Our gross profit and gross profit margin both increased from the year ended 31 December 2016 to the year ended 31 December 2017. The increase in our gross profit for the year ended 31 December 2017 was primarily due to the increase in sale of products for machineries used for semiconductor manufacturing and machinery and machine tools manufacturing as well as the contribution from the precision machining services. Higher gross profit margin across all application types arose mainly due to economies of scale as our revenue for the year ended 31 December 2017 increased.

FINANCIAL INFORMATION

Our gross profit margin of our product relating to semiconductor manufacturing is the highest among different types of application in each of the years ended 31 December 2015, 2016 and 2017. The gross profit margins for sheet metal products relating to machinery and machine tools manufacturing were approximately 35.6%, 32.1% and 37.9% for the years ended 31 December 2015, 2016 and 2017, respectively, which were lower than those for semiconductor manufacturing in the corresponding years. As compared to the products mentioned above, products relating to printing application recorded the lowest gross profit margin among them during the Track Record Period.

Our sheet metal products related to different types of application are highly-customized and require different design and dimension. As such, the gross profit margins of our product for different types of application are mainly influenced by (i) the technical requirements and (ii) the production schedule requested by our customers. To the best knowledge of our Directors, based on the scope of work, technical requirements and complexity, the gross profit margin for sheet metal products relating to semiconductor manufacturing is generally higher than those for relating to machinery and machine tools manufacturing and products relating to printing application are normally required relatively lower technical specifications. In addition, for sheet metal products relating to machinery and machine tools manufacturing, we are normally requested to deliver our products with relatively stable volume and schedule which we may have room to lower the gross profit margin.

Our Directors confirmed that none of the costs or expenses relating to our operations was borne by any related party, connected person or any independent third party without being recharged to us during the Track Record Period.

Other income

Other income consists of sale of scrap materials and government grants for the years ended 31 December 2015, 2016 and 2017, which amounted to approximately S\$0.1 million, S\$0.1 million and S\$0.1 million, respectively.

Other gains/(losses), net

Other gains/(losses), net comprise mainly foreign exchange gains/(losses). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains/(losses) were resulted from sale to customers and cost of production in foreign currencies other than S\$, and the foreign currency giving rise to such gains/(losses) for the three years ended 31 December 2017 was primarily US\$. Our Group mainly operates in Singapore and Malaysia with a majority of the sale transactions denominated and settled in S\$ and US\$. Foreign exchange gains amounted to approximately S\$0.5 million and S\$0.3 million for the two years ended 31 December 2015 and 2016, while foreign exchange losses amounted to approximately S\$0.1 million for the year ended 31 December 2017. These were mainly due to the appreciation of US\$ against S\$ for the years ended 31 December 2015 and 31 December 2016, and the depreciation of US\$ against S\$ for the year ended 31 December 2017 arising from US\$ receipts from our key customers.

FINANCIAL INFORMATION

Selling and distribution expenses

Selling and distribution expenses comprise mainly freight and handling charges, transportation and related expenses and advertisement. As a percentage of our revenue, our selling and distribution expenses represented 1.4%, 1.7% and 1.2% respectively during the Track Record Period.

The following table sets out the breakdown of our Group's selling and distribution expenses during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Freight and handling charges	146	58.1	107	50.5	146	59.8
Transportation and related expenses	75	29.9	80	37.7	80	32.8
Advertisement	30	12.0	25	11.8	18	7.4
	<u>251</u>	<u>100.0</u>	<u>212</u>	<u>100.0</u>	<u>244</u>	<u>100.0</u>

Administrative expenses

Our administration expenses were approximately S\$1.7 million, S\$1.5 million and S\$1.8 million for the three years ended 31 December 2017, respectively. The following table sets out the breakdown of our Group's administrative expenses during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Staff costs	1,403	83.1	1,148	75.0	1,437	78.8
Repair and maintenance	46	2.7	169	11.0	67	3.7
Depreciation	72	4.3	62	4.1	64	3.5
Legal and professional fees	43	2.5	45	2.9	30	1.6
Insurance expenses	14	0.8	16	1.0	19	1.0
Utilities	37	2.2	35	2.3	18	1.0
Rental expenses	7	0.4	6	0.4	12	0.7
Others	67	4.0	49	3.3	176	9.7
	<u>1,689</u>	<u>100.0</u>	<u>1,530</u>	<u>100.0</u>	<u>1,823</u>	<u>100.0</u>

Note: Others include licence application fees and other documentation charges.

FINANCIAL INFORMATION

Finance costs, net

Our finance costs, net mainly represent interest expenses on bank loan, bank overdraft and obligations under finance leases, which amounted to approximately S\$82,000, S\$60,000 and S\$39,000 for the three years ended 31 December 2015, 2016 and 2017.

Income tax

We are subject to Singapore and Malaysia corporate income taxes as our operating subsidiaries are located in Singapore and Malaysia. We recorded a tax credit of approximately S\$60,000 for the year ended 31 December 2015, and tax expenses of approximately S\$0.4 million and S\$0.3 million for the years ended 31 December 2016 and 2017, respectively. The effective tax rates of our Group for the years ended 31 December 2016 and 2017 were 13.8% and 5.0% respectively. The lower effective tax rates as compared to the standard tax rates of 17% for Singapore and 24% for Malaysia, is mainly due to the PIC Scheme of Singapore which allows us to enjoy 400% tax deduction on qualifying capital expenditure. For the three years ended 31 December 2017, our Group incurred certain qualified capital expenditure of approximately S\$1.4 million, S\$0.1 million and S\$1.0 million, respectively, mainly including acquisition of laser cutting machines, welding machines and milling machines, which brought related tax incentives amounted to approximately S\$1.0 million, S\$72,000 and S\$0.7 million under the PIC Scheme for each of the years ended 31 December 2015, 2016 and 2017, respectively. The PIC Scheme has expired subsequent to the year of assessment 2018, and our Group will no longer be entitled to additional 300% tax deduction for qualified capital expenditures under the PIC Scheme. As such, starting from the year ending 31 December 2018, we can only enjoy equivalent capital allowances to offset the taxable income during the corresponding periods and the effective tax rate is expected to be higher than those during the Track Record Period. For more discussion, please refer to the section headed “Regulatory Overview – Productivity and Innovation Credit Scheme” in this prospectus.

Deferred tax assets arising from tax losses brought forward are recognised to the extent that the realization of the related tax benefit through future taxable profits is probable. During the Track Record Period, deferred tax assets amounted to approximately S\$0.1 million, S\$0.1 million and S\$0.1 million as at 31 December 2015, 2016 and 2017, respectively.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue decreased by approximately S\$5.9 million or 31.9% from approximately S\$18.5 million for the year ended 31 December 2015 to approximately S\$12.6 million for the year ended 31 December 2016. The decrease was a result of the decrease in revenue from the sale of products relating to semiconductor manufacturing from approximately S\$9.9 million for the year ended 31 December 2015 to approximately S\$5.9 million for the year ended 31 December 2016. This was mainly attributed to the decrease in demand for our sheet metal products relating to semiconductor manufacturing and other applications.

The decrease is mainly due to the decrease in demand in certain machineries produced by our customers in semiconductor manufacturing as a result of (i) the product life cycle of a machinery produced by our customer gradually came to an end in 2016 and the commencement of mass production of a new machinery for the same application commenced in 2017. Such machinery had been provided by our customer for around five years since 2012, and our Group had supplied related sheet metal products since its first article production in the same years. The end of its product life cycle resulted in a drop in revenue of approximately S\$3.3 million from approximately S\$3.8 million for the year ended 31 December 2015 to approximately S\$0.5 million for the year ended 31 December 2016; (ii) relocation plan of a principal customer of our customer which is a contract manufacturer. To the best knowledge of the Directors, such principal customer relocated part of their production line out from Singapore in late 2015 which resulted in a drop in revenue of approximately S\$1.9 million from approximately S\$2.1 million for the year ended 31 December 2015 to approximately S\$0.2 million for the year ended 31 December 2016; and (iii) general decrease in demand in metal precision components in Singapore from 2015 to 2016, which in turn affect demand of our sheet metal products for semiconductor manufacturing correspondingly. The metal precision components market in Singapore contracted by approximately 0.8% from 2015 to 2016. For further discussion, please refer to the section headed “Industry Overview – Metal precision components market in Singapore” in this prospectus. Having considered the long-term relationship with our customers and the economic benefit brought from the future orders from our customers for our new products, our Directors are of the view that it is justified to allocate our resources to undergo the first article production before the mass production.

In addition, the sale of products relating to other applications also decreased from approximately S\$1.3 million for the year ended 31 December 2015 to S\$0.2 million for the year ended 31 December 2016 and which was a result of the decrease in purchase orders received from a customer for sheet metal products for security-related application owing to their own business considerations. The revenue from the sale of such products accounted for approximately S\$1.0 million and S\$21,000 for the two years ended 31 December 2016, respectively.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales decreased by approximately S\$3.0 million or 25.9% from approximately S\$11.6 million for the year ended 31 December 2015 to S\$8.6 million for the year ended 31 December 2016. The decrease in our cost of sales was primarily attributable to the decrease in our direct material costs and direct labour costs by approximately 34.2% and 32.8% respectively and which were in line with the decrease in total revenue for the year ended 31 December 2016. Given that our manufacturing overheads mainly include depreciation, rental expenses and other fixed costs which were relatively less sensitive to the fluctuation of revenue, in terms of percentage, the decrease in our total cost of sales was less than that of decrease in revenue for the year ended 31 December 2016.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately S\$2.9 million or 42.0% from S\$6.9 million for the year ended 31 December 2015 to approximately S\$4.0 million for the year ended 31 December 2016. The decrease was a result of the decrease in the sale of sheet metal products for machineries used for semiconductor manufacturing, machinery and machine tools manufacturing and security-related application. Our gross profit margin for the year ended 31 December 2016 was approximately 32.0%, recorded a decrease as compared with the gross profit margin of approximately 37.4% for the year ended 31 December 2015. Such decrease was mainly a result of the less sensitive decrease in manufacturing overheads as compared to the decrease in revenue for the year ended 31 December 2016 as it consisted of some fixed costs and the decrease in the sale of sheet metal products relating to semiconductor manufacturing which had highest gross profit margin among other types of product in each of the year during Track Record Period.

Other income

Our other income has remained relatively stable at S\$0.1 million and S\$0.1 million for the two years ended 31 December 2015 and 2016, respectively.

Other gains/(losses), net

Our other gains/(losses), net decreased from approximately S\$0.5 million gain for the year ended 31 December 2015 to S\$0.3 million gain for the year ended 31 December 2016. This was mainly due to the weaker appreciation of US\$ against S\$ for the year ended 31 December 2016.

Selling and distribution expenses

Our selling and distribution expenses decreased slightly from approximately S\$0.3 million for the year ended 31 December 2015 to S\$0.2 million for the year ended 31 December 2016 due to decrease in freight and handling charges which was in line with decrease in revenue in the year ended 31 December 2016.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses decreased from approximately S\$1.7 million for the year ended 31 December 2015 to approximately S\$1.5 million for the year ended 31 December 2016. This was mainly attributable to the decrease in staff costs, which was partly determined based on our business and financial performance, from S\$1.4 million as at 31 December 2015 to S\$1.1 million for the year ended 31 December 2016.

Finance costs, net

Our finance costs, net decreased from approximately S\$82,000 for the year ended 31 December 2015 to S\$60,000 for the year ended 31 December 2016. This decrease was in line with the decrease in finance lease payables for the year ended 31 December 2016.

Income tax credit/(expense)

We recorded tax credit of approximately S\$60,000 for the year ended 31 December 2015, and recorded tax expense of approximately S\$0.4 million for the year ended 31 December 2016. This is mainly due to the relevant Productivity and Innovation Credit Scheme. For more discussion, please refer to “Selected income statement items – Income tax” above in this section. For the year ended 31 December 2015, our Group recorded a tax credit mainly due to tax incentive related to PIC Scheme of Singapore which allows us to claim 400% tax deduction on qualifying capital expenditure.

Profit for the year

Our profit for the year decreased by approximately S\$3.4 million or 60.7% from approximately S\$5.6 million for the year ended 31 December 2015 to approximately S\$2.2 million for the year ended 31 December 2016, which was primarily due to decrease in gross profit for the year ended 31 December 2016. Our net profit margin decreased from 30.1% for the year ended 31 December 2015 to 17.8% for the year ended 31 December 2016. The decrease was mainly a result of the drop in gross profit margin and increase in effective tax rate for the year ended 31 December 2016.

FINANCIAL INFORMATION

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by approximately S\$8.2 million or 65.1% from approximately S\$12.6 million for the year ended 31 December 2016 to approximately S\$20.8 million for the year ended 31 December 2017. The increase was primarily attributable to (i) increase in sale of sheet metal products relating to semiconductor manufacturing, particularly for a new product with the commencement of its mass production in 2017 and (ii) increase in sale of products relating to machinery and machine tools manufacturing. The metal precision components market in Singapore grew at approximately 1.6% from 2016 to 2017. For further discussion, please refer to the section headed “Industry Overview – Metal precision components market in Singapore” in this prospectus.

Revenue from sale of sheet metal products relating to semiconductor manufacturing increased by approximately S\$5.0 million or 84.7% from approximately S\$5.9 million in the year ended 31 December 2016 to approximately S\$10.9 million in the year ended 31 December 2017. This was mainly due to the increase in demand of our sheet metal products for semiconductor manufacturing and in particular, the commencement of the mass production of a new product in 2017, which we had undergone its first article production in the second half of 2016. First article production is an essential process used by our customers for confirming the quality and process configuration of the future products. In general, the acceptance of the first article means that the customer will engage us for mass production throughout the product life cycle. The mass production of such new product in 2017 contributed approximately S\$3.3 million for the year ended 31 December 2017.

Revenue generated from products relating to machinery and machine tools manufacturing increased by approximately S\$2.6 million or 47.3% from approximately S\$5.5 million in the year ended 31 December 2016 to approximately S\$8.1 million in the year ended 31 December 2017. The increase was mainly due to increase in the demand for two products relating to machinery and machine tools manufacturing with the aggregate amount of revenue increased from approximately S\$3.9 million for the year ended 31 December 2016 to approximately S\$6.4 million for the year ended 31 December 2017.

Cost of sales

Our cost of sales increased by approximately S\$3.6 million or 41.9% from approximately S\$8.6 million in the year ended 31 December 2016 to S\$12.2 million for the year ended 31 December 2017. The increase in our cost of sales was primarily attributable to the increases in our direct material costs, direct labour costs and subcontracting costs which were in line with the increase in revenue for the year ended 31 December 2017. Given that our manufacturing overheads mainly included depreciation, rental expenses and other fixed costs which were relatively less sensitive to the fluctuation of revenue, in terms of percentage, the increase in our total cost of sales was higher than that of an increase in revenue for the year ended 31 December 2017.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit increased by S\$4.6 million or 115.0% from approximately S\$4.0 million for the year ended 31 December 2016 to S\$8.6 million for the year ended 31 December 2017. Our gross profit margin for the year ended 31 December 2017 was approximately 41.2%, recording an increase as compared with the gross profit margin of approximately 32.0% for the year ended 31 December 2016. The increase was mainly attributable to (i) economies of scale being enjoyed as a result of bulk purchases of materials for production; (ii) the increase in the utilisation rate of our existing production facilities; and (iii) the less sensitive increase in our manufacturing overheads as compared to the increase in revenue for the year ended 31 December 2017.

Other income

Our other income has remained relatively stable at S\$0.1 million and S\$0.1 million for the two years ended 31 December 2016 and 2017, respectively, which was a result of the decrease in government grant offset by the increase in income from scrap sales.

Other gains/(losses), net

Our other gains/(losses), net decreased from approximately S\$0.3 million gain for the year ended 31 December 2016 to S\$0.1 million loss for the year ended 31 December 2017. This was mainly due to depreciation of US\$ against S\$ for the year ended 31 December 2017.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at S\$0.2 million and S\$0.2 million for the year ended 31 December 2016 and 2017, respectively.

Administrative expenses

Our administrative expenses increased from approximately S\$1.5 million for the year ended 31 December 2016 to approximately S\$1.8 million for the year ended 31 December 2017. This is attributable to the increase in staff costs from S\$1.1 million for the year ended 31 December 2016 to S\$1.4 million for the year ended 31 December 2017, resulting from better business and financial performance of our Group in 2017.

Finance costs, net

Our finance costs, net decreased from approximately S\$60,000 for the year ended 31 December 2016 to S\$39,000 for the year ended 31 December 2017. This decrease was in line with the decrease in finance lease payables for the year ended 31 December 2017.

FINANCIAL INFORMATION

Income tax credit/(expense)

Our income tax expense decreased from approximately S\$0.4 million for the year ended 31 December 2016 to approximately S\$0.3 million for the year ended 31 December 2017. The effective tax rates were 13.8% and 5.0% for the two years ended 31 December 2016 and 2017, respectively, which are much lower than the standard tax rates of 17% in Singapore and 24% in Malaysia. This was mainly resulted from the application of the PIC Scheme. For more discussion, please refer to “Selected income statement items – Income tax” above in this section and the section headed “Regulatory Overview – Productivity and Innovation Credit Scheme” in this prospectus.

Profit for the year

Our profit for the year increased by approximately S\$3.9 million or 177.3% from approximately S\$2.2 million for the year ended 31 December 2016 to approximately S\$6.1 million for the year ended 31 December 2017, which was in line with the increase in gross profit for the year ended 31 December 2017. Our net profit margin increased from 17.8% for the year ended 31 December 2016 to 29.5% for the year ended 31 December 2017. The increase was in line with the increase in gross profit margin.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources, bank borrowings and finance leases during the Track Record Period. Our Group’s principal uses of cash have been, and are expected to continue to be, operational costs and investing activities on capital expenditures.

The following table sets out our cash flows for the periods indicated:

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Net cash generated from operating activities	6,691	2,710	6,870
Net cash used in investing activities	(1,065)	(78)	(4,660)
Net cash used in financing activities	(1,258)	(715)	(7,045)
Net increase/(decrease) in cash and cash equivalents	<u>4,368</u>	<u>1,917</u>	<u>(4,835)</u>

FINANCIAL INFORMATION

Net cash generated from operating activities

Our Group mainly derives our cash flows from operating activities from the receipt of payment from sale of sheet metal products and provision of machining services and cash used in operating activities is mainly for purchase of materials, payment of subcontracting fees and expenses incurred in our daily operation.

For the year ended 31 December 2015, we generated net cash from operating activities of approximately S\$6.7 million, primarily reflecting our profit before tax of approximately S\$5.5 million, which was mainly adjusted for (i) depreciation of property, plant and equipment of approximately S\$1.1 million; and (ii) decrease in trade and other receivables of approximately S\$1.5 million; and offset by (iii) the decrease in trade and other payables of approximately S\$1.4 million .

For the year ended 31 December 2016, we generated net cash from operating activities of approximately S\$2.7 million, primarily reflecting our profit before tax of approximately S\$2.6 million, which was mainly adjusted for (i) depreciation of property, plant and equipment of approximately S\$1.1 million; (ii) decrease in trade and other payables of approximately S\$0.5 million; (iii) increase in trade and other receivables of approximately S\$0.4 million; and (iv) increase in inventory of approximately S\$0.2 million.

For the year ended 31 December 2017, we generated net cash from operating activities of approximately S\$6.9 million, primarily reflecting our profit before tax of approximately S\$6.5 million, which was mainly adjusted for (i) depreciation of property, plant and equipment of approximately S\$1.0 million; (ii) increase in trade and other receivables of approximately S\$1.8 million; and (iii) increase in inventory of approximately S\$0.3 million, offset by the increase in trade and other payables of approximately S\$1.6 million.

FINANCIAL INFORMATION

Net cash used in investing activities

For the year ended 31 December 2015, we recorded net cash used in investing activities of approximately S\$1.1 million which mainly represented the purchase of property, plant and equipment of approximately S\$1.1 million.

For the year ended 31 December 2016, we recorded net cash used in investing activities of approximately S\$0.1 million which mainly represented the purchase of property, plant and equipment of approximately S\$0.1 million.

For the year ended 31 December 2017, we recorded net cash used in investing activities of approximately S\$4.7 million which mainly represented the purchase of property, plant and equipment of approximately S\$4.8 million, offset by proceeds from disposals of property, plant and equipment of approximately S\$0.1 million.

Net cash used in financing activities

For the year ended 31 December 2015, we recorded net cash used in financing activities of approximately S\$1.3 million mainly as a result of payment of obligation under finance lease and bank borrowings of approximately S\$0.7 million and S\$0.1 million respectively, and repayment to shareholders of approximately S\$0.7 million, offset by proceeds from capital contribution of approximately S\$0.3 million.

For the year ended 31 December 2016, we recorded net cash used in financing activities of approximately S\$0.7 million mainly as a result of payment of obligation under finance lease and bank borrowings of approximately S\$0.7 million and S\$0.1 million respectively, offset by advance from shareholders of approximately S\$0.1 million.

For the year ended 31 December 2017, we recorded net cash used in financing activities of approximately S\$7.0 million mainly as a result of dividends paid to shareholders of approximately S\$6.1 million, payment of obligation under finance lease and repayment of bank borrowings of approximately S\$0.7 million and S\$0.1 million respectively, and repayment to shareholders of approximately S\$0.1 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

We had net current assets of approximately S\$5.7 million, S\$8.9 million and S\$4.6 million as at 31 December 2015, 2016 and 2017, respectively. The following table sets forth the breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 April
	S\$'000	S\$'000	S\$'000	2018
				S\$'000
Current assets				
Inventories	1,023	1,180	1,516	923
Trade and other receivables	2,243	2,674	4,499	7,095
Current income tax recoverable	21	61	–	–
Cash and cash equivalents	7,784	9,652	7,540	4,483
Pledged bank deposits	–	–	–	682
	<u>11,071</u>	<u>13,567</u>	<u>13,555</u>	<u>13,183</u>
Current liabilities				
Trade and other payables	3,555	3,077	5,344	6,528
Borrowings	787	653	3,170	688
Current income tax liabilities	–	–	301	363
Obligations under finance leases	693	523	–	457
Amounts due to shareholders	292	428	330	304
	<u>5,327</u>	<u>4,681</u>	<u>9,145</u>	<u>8,340</u>
Net current assets	<u><u>5,744</u></u>	<u><u>8,886</u></u>	<u><u>4,410</u></u>	<u><u>4,843</u></u>

Our net current assets increased by approximately S\$3.2 million or 56.1% from approximately S\$5.7 million as at 31 December 2015 to approximately S\$8.9 million as at 31 December 2016. The increase was primarily due to increase in cash and cash equivalents of approximately S\$1.9 million resulted from the profit for the year ended 31 December 2015 being retained in our Group and the decrease in trade and other payables of approximately S\$0.5 million.

Our net current assets decreased by approximately S\$4.5 million or 50.6% from approximately S\$8.9 million as at 31 December 2016 to approximately S\$4.4 million as at 31 December 2017. The decrease is primarily due to (i) increase in bank borrowings and overdraft of approximately S\$2.5 million; (ii) increase in trade and other payables of approximately S\$2.3 million; (iii) decrease in cash and cash equivalents of approximately S\$2.1 million after taking

FINANCIAL INFORMATION

into account of the payment of acquiring property, plant and equipment of approximately S\$4.8 million and payment of dividend to shareholders of approximately S\$6.1 million as well as the prepayment of acquiring Singapore Property II of S\$2.5 million.

Our net current assets increased by approximately S\$0.4 million or 9.1% from approximately S\$4.4 million as at 31 December 2017 to approximately S\$4.8 million as at 30 April 2018. The increase is primarily due to (i) decrease in bank borrowings of approximately S\$2.5 million; and (ii) increase in trade and other receivables of approximately S\$2.6 million, offset by the decrease in cash and cash equivalents of approximately \$3.1 million after the repayment of borrowing and overdraft and payment for Listing expenses and the increase in trade and other payable of approximately S\$1.2 million.

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Our inventories comprise raw materials and finished goods. The following table sets forth the components of our inventories as of the dates indicated and turnover days for the years/periods indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Raw materials (<i>Note</i>)	477	521	1,202
Finished goods	546	659	314
	<u>1,023</u>	<u>1,180</u>	<u>1,516</u>

Note: Raw materials comprise purchased parts amounting to S\$190,000, S\$228,000, S\$612,000 in the respective financial years ended 31 December 2015, 2016 and 2017.

The inventories increased from S\$1.0 million as at 31 December 2015 to S\$1.2 million as at 31 December 2016 and further increased to S\$1.5 million as at 31 December 2017. The increase in the inventories was for our anticipation of the increase in production to meet the demand for our sheet metal products in early 2017 and 2018, particularly for the increase in the raw materials balance as at 31 December 2017.

Our policy on obsolete or damaged inventories is to write off such inventories when our management considers the obsolete or damaged inventories to have no residual value. During the Track Record Period, we had not made any provision or written off any inventory due to damage or obsolescence as we have not experienced any significant damage or loss in respect of our inventories.

FINANCIAL INFORMATION

Up to the Latest Practicable Date, approximately S\$1.5 million or 100% of our inventories as at 31 December 2017 were subsequently consumed.

	Year ended 31 December		
	2015	2016	2017
Inventory turnover days (<i>Note</i>)	30.9	47.1	40.3

Note: Inventories turnover day equals average balance of inventories divided by cost of sales for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year/period divided by two.

The inventory turnover days increased from 30.9 days for the year ended 31 December 2015 to 47.1 days for the year ended 31 December 2016. The increase was a result of the drop in revenue together with the cost of sales for the year ended 31 December 2016. The inventory turnover days decreased from 47.1 days for the year ended 31 December 2016 to 40.3 days for the year ended 31 December 2017, which resulted from the increase in sale of sheet metal products in 2017.

Trade and other receivables

Our trade and other receivables mainly represented the outstanding amounts receivable from our customers, prepayment and deposits. Our trade and other receivables amounted to approximately S\$2.2 million, S\$2.7 million and S\$7.3 million as at 31 December 2015, 2016 and 2017, respectively. The following table sets forth the components of our trade and other receivables as of the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Non-current			
Prepayment for property, plant and equipment	–	–	2,782
	-----	-----	-----
Current			
Trade receivables	2,116	2,561	4,337
Prepayments	31	39	53
Deposits	95	68	103
Other receivables	1	6	6
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	<u>2,243</u>	<u>2,674</u>	<u>7,281</u>

FINANCIAL INFORMATION

Trade receivables

Our trade receivables increased by approximately S\$0.5 million from approximately S\$2.1 million as at 31 December 2015 to approximately S\$2.6 million as at 31 December 2016. The increase in trade receivables was mainly due to the increase in number of invoices issued to our customers upon delivery of our products in the fourth quarter of 2016 but had not been settled by the year end of 2016. The trade receivables further increased from approximately S\$2.6 million as at 31 December 2016 to approximately S\$4.3 million as at 31 December 2017, representing an increase of approximately S\$1.7 million or 65.4%. The significant increase was in line with the increase in our revenue for the year ended 31 December 2017.

Our Group normally grants credit terms to its customers ranging from 30 to 90 days. The following table sets out the aging analysis of trade receivables, based on invoice date, of the Group for the Track Record Period:

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	1,046	1,381	1,788
31 to 60 days	663	967	2,030
61 to 90 days	308	145	201
Over 90 days	99	68	318
	<u>2,116</u>	<u>2,561</u>	<u>4,337</u>

As at 31 December 2015, 2016 and 2017, trade receivables of S\$0.4 million, S\$0.1 million and S\$0.4 million, respectively, were past due but not impaired. These relate to customers for whom there is no significant financial difficulties. Based on past experience, our Directors are of the view that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality. Bad debts amounting to S\$2,000 was written off in the year ended 31 December 2016. There was no bad debts written off in financial years ended 31 December 2015 and 2017.

The following table sets out the trade receivables turnover days for the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
Trade receivables turnover days			
<i>(Note)</i>	50.6	67.9	60.5

Note: Trade receivables turnover day equals average balance of trade receivables divided by revenue for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year/period divided by two.

FINANCIAL INFORMATION

We generally grant our customers a credit period ranging from 30 to 90 days depending on their credit status. Trade receivables turnover days for the years ended 31 December 2015, 2016 and 2017 were 50.6 days, 67.8 days and 60.5 days respectively, of which those were in line with the general credit period granted.

As at the Latest Practicable Date, approximately S\$4.3 million or 100.0% of our trade receivables as at 31 December 2017 were subsequently settled.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables as at 31 December 2017 mainly comprises prepayment for Singapore Property II acquired by our Group on 1 January 2018, which amounted to approximately S\$2.5 million.

Trade and other payables

Our trade and other payables mainly represented the outstanding amounts payable to our suppliers, other payables and accruals. Our trade and other payables amounted to approximately S\$3.6 million, S\$3.1 million, and S\$5.4 million as at 31 December 2015, 2016 and 2017, respectively. The following table sets forth the components of our trade and other payables as of the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	1,312	1,045	1,912
Other payables and accruals			
– Dividend payable	1,360	1,360	2,023
– Accrued expenses	767	464	775
– Others	116	208	634
	3,555	3,077	5,344
	3,555	3,077	5,344

Trade payables

Our trade payables primarily relate to our purchase of materials such as sheet metal, standard parts and consumables and subcontracting charges. The balance decreased by approximately S\$0.3 million from approximately S\$1.3 million as at 31 December 2015 to approximately S\$1.0 million as at 31 December 2016. The slight decrease in trade payables was mainly due to less purchase in fourth quarter of 2016 compared to that of 2015. Our trade payables increased from approximately S\$1.0 million as at 31 December 2016 to approximately S\$1.9 million as at 31 December 2017. The increase was mainly attributed to the increase in purchase of materials before the year ended of 2017.

FINANCIAL INFORMATION

The following is an aging analysis of trade payables presented based on the invoice date as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	630	427	915
31 to 60 days	434	342	585
61 to 90 days	139	219	288
Over 90 days	109	57	124
	1,312	1,045	1,912
	1,312	1,045	1,912

The following table sets out the trade payables turnover days for the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
Trade payables turnover days (<i>Note</i>)	43.2	50.4	44.2

Note: Trade payables turnover day equals average balance of trade payables divided by cost of sales for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year/period divided by two.

Trade payables turnover days for the years ended 31 December 2015, 2016 and 2017 were 43.2 days, 50.4 days and 44.2 days respectively. The average trade payables turnover days during the Track Record Period were within the credit terms granted by our suppliers, which was 30 to 90 days. During the Track Record Period, our average trade payables turnover days were generally within the credit period.

As at the Latest Practicable Date, approximately S\$1.9 million or 97.7% of our trade payables as at 31 December 2017 were subsequently settled by our Group.

Other payables and accruals

Other payables and accruals mainly comprise dividend payable, accruals for wages and salaries and payable for GST.

Other payables and accruals decreased by approximately S\$0.2 million from approximately S\$2.2 million as at 31 December 2015 to approximately S\$2.0 million as at 31 December 2016, which was mainly due to decrease in accruals for salaries and wages. Other payables and accruals increased by approximately S\$1.4 million from approximately S\$2.0 million as at 31 December 2016 to approximately S\$3.4 million as at 31 December 2017, which was mainly due to increase in dividend payable of S\$0.7 million and increase in accruals for salaries and wages.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table set out the breakdown of our indebtedness as at the dates indicates:

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	2018
				<i>S\$'000</i>
				(unaudited)
Bank loan	787	653	514	467
Bank overdraft	–	–	2,656	221
Obligation under finance leases	1,348	666	–	457
Amounts due to shareholders	292	428	330	304
	<u>2,427</u>	<u>1,747</u>	<u>3,500</u>	<u>1,449</u>
Total indebtedness	<u>2,427</u>	<u>1,747</u>	<u>3,500</u>	<u>1,449</u>

As at 30 April 2018, being the latest practicable date for the purpose of the indebtedness statement for this prospectus, we had outstanding bank loan and overdraft of approximately S\$0.7 million and outstanding obligations under finance leases of approximately S\$0.5 million, which were denominated in S\$. The decrease in bank loan and overdraft as at 30 April 2018 compared with 31 December 2017 is due to repayment of bank loan and overdraft of approximately S\$2.7 million. Bank loan and bank overdraft are repayable within one year or on demand. During the Track Record Period, our Group settled our debt obligations in a timely manner and did not breach any financial bank covenant.

As at 30 April 2018, our Group had approximately S\$6.0 million of unutilised banking facilities. Among the approximately S\$6.0 million of unutilised banking facilities, approximately S\$1.0 million are restricted to finance the purchase of Singapore Property II and approximately S\$1.4 million are restricted to finance the purchase of new machinery and equipment.

The amount due to shareholders is non-trade nature and denominated in Singapore dollars, unsecured and repayable on demand and will be settled before listing.

FINANCIAL INFORMATION

Borrowings

The following table sets forth the aggregate amount of our borrowings as at the relevant balance sheet dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 April
	S\$'000	S\$'000	S\$'000	2018
				S\$'000
				(unaudited)
Bank loan	787	653	514	467
Bank overdraft	–	–	2,656	221
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings	787	653	3,170	688
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2017, our bank loan and bank overdraft were secured by a personal guarantee by Mr. Toe and a legal mortgage of Singapore Property I. The net book value of Singapore Property I as at 31 December 2017 was S\$5.3 million. We recorded an effective interest rate of 2.2%, 3.2% and 3.9% for our bank loan for the years ended 31 December 2015, 2016 and 2017, respectively.

We recorded an effective interest rate of 13.7% for our bank overdraft for the year ended 31 December 2017.

Total bank overdraft and bank loan increased by approximately S\$2.5 million or 357.1% from approximately S\$0.7 million as at 31 December 2016 to approximately S\$3.2 million as at 31 December 2017 was mainly due to increase in bank overdraft of approximately S\$2.7 million which arose from additional borrowings taken up for purchase of Singapore Property II. The balances decreased by approximately S\$2.5 million or 78.1% from approximately S\$3.2 million as at 31 December 2017 to approximately S\$0.7 million as at 30 April 2018 was mainly due to repayment of bank borrowings during the period.

Our bank overdraft and bank loan as at 30 April 2018 were secured by pledged bank deposits of approximately S\$0.7 million, legal mortgage of Singapore Property I and Singapore Property II and a personal guarantee by Mr. Toe.

The abovementioned personal guarantee provided by Mr. Toe at the date of this prospectus would be fully released and replaced by corporate guarantee provided by our Company upon Listing.

FINANCIAL INFORMATION

Obligations under finance lease

Our Group leases certain property, plant and equipment from third parties under finance lease. The table below sets forth the maturity profile of our finance leases as at the respective dates indicated.

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
				(unaudited)
Obligations under finance lease				
Not later than 1 year	693	523	–	457
Later than 1 year and not later than 2 years	514	143	–	–
Later than 2 year and not later than 5 years	141	–	–	–
	<u>1,348</u>	<u>666</u>	<u>–</u>	<u>457</u>

Our Group's obligations under finance lease are secured by the lessor's charge over the leased assets with net carrying amount of approximately S\$2.4 million and S\$2.1 million respectively as at 31 December 2015 and 2016. The obligations under finance leases as at 31 December 2015, 2016 and 2017, respectively, are secured by personal guarantees by Mr. Toe and Mrs. Toe.

The effective interest rates on the finance leases were 4.4%, 4.4% and 4.9% for the years ended 31 December 2015, 2016 and 2017, respectively. The carrying amounts of all finance lease liabilities were denominated in S\$.

As at 30 April 2018, the Group recorded approximately S\$0.5 million of obligations under finance lease, which is secured by the lessor's charge over the leased assets with net carrying amount of approximately S\$0.9 million and personal guarantee by Mr. Toe.

The abovementioned personal guarantee provided by Mr. Toe at the date of the prospectus would be fully released and replaced by corporate guarantee provided by our Company upon Listing.

CONTINGENT LIABILITIES

Our Group did not have any material contingent liabilities.

FINANCIAL INFORMATION

CONTRACTUAL COMMITMENTS

Operating lease commitments

The contractual commitments of our Group are primarily related to land leases, rental of hostel and a warehouse.

Our Group's operating lease commitments amounted to approximately S\$3.5 million, S\$3.1 million and S\$0.9 million as at 31 December 2015, 2016 and 2017, respectively. The following table sets out the future aggregate minimum lease payments payable under non-cancellable land leases, rental of hostel and a warehouse by our Group as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Not later than 1 year	416	422	140
Later than 1 year and not later than 5 years	728	668	401
Later than 5 years	2,343	1,996	345
	<u>3,487</u>	<u>3,086</u>	<u>886</u>

CAPITAL EXPENDITURE

For the years ended 31 December 2015, 2016 and 2017, we incurred capital expenditure for acquisition of property, plant and equipment of approximately S\$1.1 million, S\$0.1 million and S\$2.0 million, respectively. The following table sets forth our Group's capital expenditure during the years/periods indicated:

	Year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Land and buildings	41	–	13
Plant and equipment	1,018	3	1,709
Office and computer equipment	30	72	88
Furniture and fittings	–	9	202
Total	<u>1,089</u>	<u>84</u>	<u>2,012</u>

Capital commitments

As at 31 December 2017, the Group had capital commitments amounting to S\$1.4 million for the purchase of Malaysia Property II.

FINANCIAL INFORMATION

SUMMARY OF FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period:

	Years ended 31 December		
	2015	2016	2017
Return on total assets ⁽¹⁾	25.0%	9.4%	22.3%
Return on equity ⁽²⁾	35.6%	12.5%	35.4%
Interest coverage ratio ⁽³⁾	68.4 times	43.7 times	166.7 times

	As at 31 December		
	2015	2016	2017
Current ratio ⁽⁴⁾	2.1 times	2.9 times	1.5 times
Quick ratio ⁽⁵⁾	1.9 times	2.6 times	1.3 times
Gearing ratio ⁽⁶⁾	15.5%	9.7%	20.2%

Notes:

1. Return on total assets is calculated based on the profit for the year divided by total assets as at the respective year end and multiplied by 100%;
2. Return on equity is calculated based on the profit for the year divided by total equity as at the respective year end and multiplied by 100%;
3. Interest coverage ratio is calculated based on profit for the year before interest and tax divided by interest expenses for the respective year;
4. Current ratio is calculated based on the total current assets divided by the total current liabilities at the respective year end;
5. Quick ratio is calculated based on total current assets less inventories and divided by total current liabilities at the respective year end; and
6. Gearing ratio is calculated based on total debts divided by total equity as at the respective year end and multiplied by 100%. Total debts is defined as payables incurred not in the ordinary course of business, including borrowings, obligations under finance leases and amounts due to shareholders.

Return on total assets

Our return on total assets decreased from approximately 25.0% for the year ended 31 December 2015 to approximately 9.4% for the year ended 31 December 2016, due to decrease in profit for the year of approximately 59.8% for the year ended 31 December 2016. Our return on total assets increased from approximately 9.4% for the year ended 31 December 2016 to approximately 22.3% for the year ended 31 December 2017, primarily due to the increase in profit for the year of approximately 173.5% in the year ended 31 December 2017 offset by the increase in trade and other receivables and prepayments as at 31 December 2017.

FINANCIAL INFORMATION

Return on equity

Our return on equity decreased from approximately 35.6% for the year ended 31 December 2015 to approximately 12.5% for the year ended 31 December 2016, mainly due to (i) decrease in profit for the year of approximately 59.8% in the year ended 31 December 2016 and (ii) increase in equity of approximately 14.6% as at 31 December 2016. Our return on equity increased from approximately 12.5% for the year ended 31 December 2016 to approximately 35.4% for the year ended 31 December 2017, primarily due to the increase in profit for the year of approximately 173.5% in the year ended 31 December 2017.

Interest coverage ratio

Our interest coverage ratio decreased from 68.4 times for the year ended 31 December 2015 to 43.7 times for the year ended 31 December 2016. Such decrease was mainly due to the combined effect of (i) decrease in profit before interest and tax of approximately 52.5% in the year ended 31 December 2016 and (ii) decrease in interest expenses as a result of repayment of bank borrowings during the year ended 31 December 2016. Our interest coverage ratio increased from approximately 43.7 times for the year ended 31 December 2016 to approximately 166.7 times for the year ended 31 December 2017, primarily due to (i) the increase in profit before interest and tax of approximately 148.2% in the year ended 31 December 2017 and (ii) decrease in interest expenses as a result of lower principal balances due to repayment of bank borrowings during the year ended 31 December 2017.

Current ratio

Our current ratio increased from 2.1 times as at 31 December 2015 to 2.9 times as at 31 December 2016. Such improvement in the financial position was mainly due to the increase in cash and cash equivalents by approximately 24.0%, mainly attributable to net cash inflow from operations and no significant cash outflows from all other activities during the year ended 31 December 2016. Our current ratio decreased from 2.9 times as at 31 December 2016 to 1.5 times as at 31 December 2017, mainly due to (i) increase in bank borrowings of approximately S\$2.5 million, (ii) increase in trade and other payables of approximately S\$2.3 million, (iii) decrease in cash and cash equivalent of approximately S\$2.1 million, offset by (iv) increase in trade and other receivables of approximately S\$1.8 million.

Quick ratio

Our quick ratio increased from 1.9 times as at 31 December 2015 to 2.6 times as at 31 December 2016, and decreased to 1.3 times as at 31 December 2017. Our quick ratio demonstrated a similar trend as our current ratio and the reasons for the fluctuations are also similar to that of our current ratio.

FINANCIAL INFORMATION

Gearing ratio

Our gearing ratio decreased from approximately 15.5% as at 31 December 2015 to approximately 9.7% as at 31 December 2016. The decrease was mainly due to (i) increase in total equity resulted from the profit retained in the year ended 31 December 2016 and (ii) the decrease in obligations under finance leases. Our gearing ratio increased from approximately 9.7% as at 31 December 2016 to approximately 20.2% as at 31 December 2017. The increase was mainly attributable to the increase in borrowings of approximately S\$2.5 million as at 31 December 2017.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group manages our capital structure in order to safeguard our ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. Our Group monitors our capital on the basis of the gearing ratio.

Financial risk management

Our Group is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in Note 3 in Appendix I to this prospectus.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 28 in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our shareholders as a whole.

LISTING EXPENSES

The estimated Listing expenses primarily comprised legal and professional fees in relation to the Listing. Our Group expects that the total Listing expenses, which is non-recurring nature, will amount to approximately HK\$34.6 million (based on the mid-point of the indicative range of the Offer Price). Our Group expects to incur Listing expenses of approximately HK\$21.8 million subject to completion of the Share Offer (based on the mid-point of the indicative range of the Offer Price), which will be recognised as expenses in the statements of comprehensive income for the year ending 31 December 2018, and approximately HK\$12.8 million will be accounted for as deduction from equity after the Listing. Our Directors wish to inform Shareholders and potential investors that the Group's financial performance and results of operations for the year ending 31 December 2018 will be significantly affected by the estimated expenses in relation to the Listing. Such Listing expenses are a current estimate for reference

FINANCIAL INFORMATION

only and the final amount to be charged to the profit or loss account of our Group for the year ending 31 December 2018 and the amount to be deducted from equity is subject to change.

DIVIDENDS

No dividend has been paid or declared by our Company since its incorporation. For the years ended 31 December 2015, 2016 and 2017, FSM Technology (SG) and Fine Sheetmetal Technologies, in aggregate, had declared dividends of approximately S\$1.4 million, nil and S\$6.8 million, respectively. As at 31 December 2017, S\$1.4 million and S\$4.7 million of the dividends declared had been paid by FSM Technology (SG) and Fine Sheetmetal Technologies respectively and we financed the payment of such dividends by our internal resources. The remaining S\$2.1 million of dividend payable from Fine Sheetmetal Technologies will be paid out before the Listing.

Our Company currently does not have a dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that we may consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year.

There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The dividend payment will reduce our liquidity position as cash balance will be reduced accordingly. Although we do not have a dividend policy, we will consider our results of operations and cash flows when we decide to distribute dividends. As such, we expect a healthy liquidity position can be maintained after the distribution of dividends.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 5 February 2018 and our Group had no reserves available for distribution to our Shareholders.

PROPERTY INTERESTS AND PROPERTY VALUATION

A valuation on the Group's property interests in the owned properties of Singapore Property I and Malaysia Property I as at 30 April 2018 has been conducted by Ravia Global Appraisal Advisory Limited. Valuation certificate issued by Ravia Global Appraisal Advisory Limited is included in the section headed "Appendix III – Valuation report" in this prospectus.

FINANCIAL INFORMATION

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our consolidated financial information as at 31 December 2017 with the valuation of property interests as at 30 April 2018:

	<i>S\$'000</i>
Net book value of land and buildings of the property interests as at 31 December 2017 (audited)	5,878
Movement from 31 December 2017 to 30 April 2018 (unaudited)	
Depreciation	<u>(56)</u>
Net book value of land and buildings of the property interests as at 30 April 2018 (unaudited)	5,822
Valuation surplus as at 30 April 2018	<u>3,788</u>
Valuation of land and buildings of the property interests as at 30 April 2018 as set out in the Property Valuation Report in Appendix III	<u><u>9,610</u></u>

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the internally generated funds, available banking facilities and the estimated net proceeds of the Share Offer, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the Latest Practicable Date.

OTHER MATERIAL ARRANGEMENTS

We do not have any outstanding derivative instruments, other guarantees or foreign currency forward contracts. We do not engage in trading activities involving non-exchange trade contracts.

NO MATERIAL ADVERSE CHANGE

The PIC Scheme, which allowed us to enjoy 400% tax deductions for our qualifying asset acquisition expenditure per year, will expire in the year of assessment 2018. As such, starting from the year ending 31 December 2018, we can only enjoy equivalent capital allowances to offset the taxable income during the corresponding periods. Thus, although the effective tax rates are expected to be higher than those during the Track Record Period, our Directors expect the effective tax rates to remain relatively low as compared to the standard tax rates for the coming periods.

Our Directors confirm that, save for disclosed in the above paragraph and the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect since 31 December 2017, and there has been no event since 31 December 2017 which would materially affect the information shown in our combined financial statements included in the Accountant's Report set forth in Appendix I to this prospectus.

FINANCIAL INFORMATION

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of our Group attributable to owner of our Company as if the Share Offer had taken place on 31 December 2017. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 31 December 2017 or any future dates following the Share Offer.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 S\$'000 (Note 1)	Estimated net proceeds from the Share Offer S\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company as at 31 December 2017 S\$'000	Unaudited pro forma adjusted net tangible assets per Share	
				<i>S\$</i>	<i>HK\$</i>
				<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price of HK\$0.52 per Share	<u>17,321</u>	<u>16,258</u>	<u>33,579</u>	<u>0.03</u>	<u>0.20</u>
Based on an Offer Price of HK\$0.60 per Share	<u>17,321</u>	<u>20,526</u>	<u>37,847</u>	<u>0.04</u>	<u>0.22</u>

FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets attributable to the owners of our Company as at 31 December 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to the owners of our Company as at 31 December 2017 of approximately S\$17,321,000 as the Group has no intangible asset as at 31 December 2017.
- (2) The estimated net proceeds from the Share Offer are based on 250,000,000 Offer Share and the indicative Offer Price of HK\$0.52 per Share and HK\$0.60 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses.
- (3) The unaudited pro forma net tangible Assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Share Offer, Reorganisation and Capitalisation Issue has been completed on 31 December 2017 but takes no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares as described in the section headed "Share Capital".
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Singapore dollars are converted into Hong Kong dollars at a rate of S\$1 to HK\$5.90, as set out in "Information about this Prospectus and the Share Offer" to this prospectus. No representation is made that Singapore dollar amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2017.

For more details, please refer to Appendix II of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Having considered (i) our business performance during the Track Record Period; (ii) our competitive strengths; and (iii) the anticipated growth of the metal precision components market as stated in the Ipsos Report, we intend to (i) expand the scale of our operation by increasing our production capacity; (ii) achieve better production efficiency by implementing a greater production automation; (iii) enhance our information technology system; (iv) improve our quality assurance capability; and (v) increase our marketing effort. For details of our future plans, please refer to the section headed “Business – Business strategies” in this prospectus.

Our Directors are of the view that the five aspects of our entire expansion plan are mutually complementary and represent an integral initiation to further strengthen our position as an established sheet metal fabricator and precision machining service provider in Singapore. Our Directors estimate that the implementation of our entire expansion plan would require over S\$20 million.

REASONS FOR THE LISTING

Our Directors had considered and evaluated different listing venues including Hong Kong and Singapore and have concluded that, notwithstanding that our business is primarily based in Singapore, Hong Kong is the suitable venue for us to pursue a listing. It is mainly because our Directors believe that the Listing in Hong Kong will facilitate us to implement our future plans as well as realise our business strategy at all, in the following aspects:

Providing sufficient funds for the implementation of our future plans

During the Track Record Period and up to the Latest Practicable Date, we have invested a significant amount of our internal resource in acquiring additional machineries and the production facilities. For instance, we have acquired property interest in Singapore Property II with approximately S\$2.4 million in January 2018. Therefore, our Directors are of the view that it would be unfeasible not to create material adverse impact to our financial performance and liquidity if we choose to implement the entire expansion plan solely with debt financing and our internal resources (without considering the expected net proceeds from the Listing).

Our unutilised banking facilities of approximately S\$6.0 million as at 30 April 2018, among which approximately S\$1.0 million are restricted to finance the purchase of Singapore Property II and approximately S\$1.4 million are restricted to finance the purchase of new machinery and equipment which can be applied to our future plans. As such, including the unutilised banking facilities for acquiring additional machinery, there is in total only S\$5.0 million unutilised banking facilities that can be used to implement our future plan. In addition, our Directors consider that our financial performance and liquidity may be negatively affected if market uncertainty suddenly arose, for instance a rise in interest rate in the United States and any sudden unexpected deterioration in the prevailing market conditions in Singapore leading to imposition of additional requirement to regular

FUTURE PLANS AND USE OF PROCEEDS

repayment of interest and principal to us regardless of the performance of our business. Besides, if we raise additional funds by incurring debt financing, we may be subject to various covenants under the relevant debt instruments that may, among others, restrict our ability to obtain additional financing. Having considered the restriction on the use of part of the utilised banking facilities and potential limitations for further debt financing, our Directors believe that equity financing, as compared to the option of debt financing, is more suitable for us in order to achieve sustainable growth in long run as we do not rely on debt financing which may expose us to aggressive gearing. Our customers and suppliers will also give preference to companies which have little debt burden and thus are at a lower risk of defaulting.

Enhancing our corporate profile and credibility

Our Directors consider that Hong Kong is an international financial center and the stock market in Hong Kong is well established and highly recognised internationally. As such, our Directors are of the view that the Listing in Hong Kong will enhance our corporate profile and recognition and reinforce our brand awareness and image, which may assist us to further develop our customer base. In particular, our Directors consider that a public listing status on the Main Board in Hong Kong can attract potential customers who are more willing to establish business relationship with companies having a well-established internal control and corporate governance system. Besides, having considered the increasing number of Singapore companies have already been listed on the Stock Exchange and in order to distinguish us from other sheet metal fabricators in Singapore, our Directors believe that a public listing status in Hong Kong will enhance our competitiveness in the market since some customers and suppliers may prefer to work with companies with more transparent financial disclosure and regulatory supervision.

Enabling us to raise funds for future business development more easily

Our Directors believe that the level of trading activities on a stock exchange is one of the key factors indicating the ease of conducting secondary fund raising exercises after a listing. For instance, a more liquid market generally means that there are more ready and willing buyers (who may invest in the shares under the fund raising exercise) and sellers (who may realise their investment subsequently) in the market. As such, a secondary fund raising exercise, such as a secondary placement of shares, in a more liquid market would be generally easier.

According to the data compiled by the World Bank, in 2016, the turnover ratio of stocks traded in the Hong Kong stock market was 40.9%, while based on the information from the Stock Exchange, the average daily turnover of stocks in Hong Kong was approximately HK\$66.9 billion in 2016. By comparison, according to the data compiled by the World Bank, the turnover ratio of stocks traded in the Singapore stock market in 2016 was 31.9% whilst, according to the stock exchange of Singapore, the average daily turnover of stocks in Singapore was S\$1.1 billion (approximately HK\$6.5 billion) in 2016. As a result, our Directors consider that the Listing in Hong Kong will enable us to have access to the capital market more easily for fundraising at later stages through the issuance of equity and debt securities for the implementation of business strategies in long run. Our Directors also believe that a public listing status in Hong Kong will allow us to have

FUTURE PLANS AND USE OF PROCEEDS

greater exposure to international financial market and investment community, which may open up a new channel of financing.

Besides, our Directors are of the view that the Listing in Hong Kong can also assist us in any future debt financing, if necessary. Being a group of private companies without a listing status, our Directors consider it would be difficult for us to obtain debt financing without guarantees or other collateral to be provided by our Controlling Shareholders. However, the continuous reliance on our Controlling Shareholders for provision of personal guarantee and other form of financial assistance would be a hindrance to us in achieving financial independence. In addition, the regular financial report requirement under the Listing Rules can enable the bank to evaluate and monitor our financial position more effectively and therefore it is expected that the approval process for any future bank borrowings can be smoothened. The better accessibility to banking facilities allow us more flexibility in management of our cash flow.

USE OF PROCEEDS

The net proceeds to be received from the Share Offer based on the Offer Price of HK\$0.56 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.52 per Offer Share to HK\$0.60 per Offer Share, after deducting related expenses in connection with the Share Offer, are estimated to be approximately HK\$105.4 million. Our Directors presently intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$50.4 million, representing approximately 47.8% of the net proceeds, will be used to expand our scale of operation by increasing our production capacity, among which:
 - (a) with reference to quotations of similar machineries, approximately HK\$29.8 million, representing approximately 28.3% of the net proceeds, will be used to acquire additional machinery including milling machine and laser cutting machine in the three years ending 31 December 2020 to increase production capacity in various existing production processes. The following table sets out a breakdown of additional machineries that we plan to acquire and the planned allocation of the net proceeds:

For the year ending 31 December	Additional machineries to be acquired	Number of unit	Amount allocated <i>HK\$' million</i>
2018	– Direct gas fire convectional batch oven	2	0.9
	– Powder coating spray booth	1	0.1
	– Screw inventor control energy saving stationary air compressor	1	0.2
	– CNC Vertical Machining Center	1	2.8
2019	– Machining center	1	11.2
	– CNC Vertical Machining Center	1	2.8
2020	– Fibre laser machine	1	5.9
	– Fibre laser machine	1	5.9

FUTURE PLANS AND USE OF PROCEEDS

Upon successful acquisition and installation of the additional machineries mentioned here and the additional machineries for implementing a greater production automation, our Directors expect that our production capacity will have an average annual growth rate of over 5% for the three years ending 31 December 2020. In particular, our production facilities in Singapore and Malaysia are expected to record approximately 24.8% and 16.7% increase in production capacity, respectively, by the year ending 31 December 2020 as compared with that in the year ended 31 December 2017. For illustrative purpose only, the following table sets out the estimated production capacity of our production facilities for the financial years indicated:

	Year ending 31 December		
	2018	2019	2020
	Production capacity	Production capacity	Production capacity
	<i>(hour)</i>	<i>(hour)</i>	<i>(hour)</i>
Singapore	105,783	116,360	119,694
Malaysia	36,096	36,096	36,096

Having considered that (i) in the first quarter of 2018, our Group has completed first article production for a product with a new customer and who has also started to place orders for production since April 2018; and (ii) we have received but did not pursue three quotation requests from three customers with aggregate amount of approximately S\$7.2 million during the Track Record Period due to utilisation of production capacity for fulfilling orders from existing customers in order to strengthen our long-term business relationship with them, our Directors believe that, through actively seeking additional business opportunity, there will be sufficient demand from our existing and potential new customers for the expanded capacity. Besides, given we did not experience any material shortage of material during the Track Record Period, we intend to maintain our current approach of sourcing materials from our existing suppliers in view of the expanded capacity. For details of our current approach of sourcing materials, please refer to the section headed “Business – Our suppliers” in this prospectus. We also intend to recruit additional labour as illustrated below to copy with the expanded capacity.

- (b) with reference to the option to purchase and quotations of the respective renovation, approximately HK\$16.6 million, representing approximately 15.7% of the net proceeds, will be used to develop our production facilities, among which (i) approximately HK\$9.2 million (equivalent to approximately S\$1.6 million) will be used to acquire Malaysia Property II with gross floor area of approximately 2,676 sq.m. in second half of the year ending 31 December 2018; (ii) approximately HK\$5.9 million will be used to construct an extension with gross floor area of approximately 1,415 sq.m. and conduct renovation for the

FUTURE PLANS AND USE OF PROCEEDS

newly acquired Singapore Property II so that we can install more advanced machineries which generally consume spaces; and (iii) approximately HK\$1.5 million will be used to conduct renovation for Malaysia Property II after the acquisition so that we can perform full range of production process free from any encumbrances.

In particular, we have already been granted an option to purchase Malaysia Property II in October 2017 from the current landlord, independent third parties, and have paid a deposit of approximately S\$16,000 with our internal resources. The sale and purchase transaction is expected to be completed in second half of the year ending 31 December 2018. The construction of extension and renovation of Singapore Property II shall take around six months to a year and is expected to complete in the year ending 31 December 2019, while the renovation of Malaysia Property II shall take around a year and is expected to complete in the second half of the year ending 31 December 2019. For further details of the current landlord, please refer to the section headed “Business – Our properties” in this prospectus.

- (c) with reference to quotations of similar transportation vehicles, approximately HK\$1.3 million, representing approximately 1.2% of the net proceeds, will be used to purchase transportation vehicles, such as lorry and van, in the second half of 2018, so that we can arrange transportation and delivery of our materials and products to accommodate our existing and emerging business opportunity without heavily relying on external transportation services. Our Directors consider that it is prudent not to heavily rely on extra external transportation services because some unexpected variations in the future, such as shortage on transportation services in a specific time or fluctuating in transportation cost, can be avoided; and
 - (d) with reference to the market information of the salary of staff of similar position, approximately HK\$2.7 million, representing approximately 2.6% of the net proceeds, will be used to recruit approximately six staff for operating the newly acquired machineries. The estimated monthly salary of each staff is S\$3,500 and it is expected that the salary expenses will be funded by the net proceeds until the first half in the year ending 31 December 2020.
- approximately HK\$31.3 million, representing approximately 29.7% of the net proceeds, will be used to achieve better production efficiency by implementing a greater production automation, among which:
- (a) with reference to quotations of similar machineries, approximately HK\$29.0 million, representing approximately 27.5% of the net proceeds, will be used to acquire and install additional machineries including robotic welding machines and robotic bending machines and related software which will be used for various production processes in order to reduce man-to-machine ratio and

FUTURE PLANS AND USE OF PROCEEDS

achieve better cost efficiency. The following table sets out a breakdown of additional machineries that we plan to acquire and the planned allocation of the net proceeds:

For the year ending 31 December	Additional machineries to be acquired	Number of unit	Amount allocated <i>HK\$' million</i>
2018	– CNC Press Brake Machine and bending robot arm	1	6.2
	– Robotic arms for welding (TIG/MIG) Application	2	4.3
2019	– CNC Press Brake Machine and bending robot arm	2	12.3
2020	– CNC Press Brake Machine and bending robot arm	1	6.2

According to a report of a Singapore government authority which quoted a survey of 235 German industrial companies conducted by a market research institution, upon successful adoption of Industry 4.0, there will be an increase in efficiency of 17.9% for over five years and there will also be a cost reduction of 13.8% for over five years. Given Germany has adopted the strategy for Industry 4.0 for a number of years and shall serve as a successful example to Singapore, our Directors are of the view that the market survey on German companies' adoption of Industry 4.0 model, which was also referred to by the Singapore government authority, is a reasonable benchmark for us.

Besides, having considered our current manpower allocated to the bending and welding processes and the higher capacity of the machineries to be acquired, our Directors expect the additional manpower required is proportionally less than the additional machines to be acquired. For illustrative purpose, our Directors believe, upon the successful acquisition and installation of the above machineries, our average man-to-machine ratio for the bending and welding processes can be decreased from approximately 5.9 workers per machine to approximately 3.5 workers per machine.

- (b) with reference to the salary of our existing staff of similar position, approximately HK\$2.3 million, representing approximately 2.2% of the net proceeds, will be used to recruit approximately five staff for operating the newly acquired machineries. The estimated monthly salary of each staff is S\$3,500 and it is expected that the salary expenses will be funded by the net proceeds until the first half in the year ending 31 December 2020.

- with reference to quotations of a similar ERP system and the market information of the salary of staff of similar position, approximately HK\$10.1 million, representing approximately 9.6% of the net proceeds, will be used to enhance our information

FUTURE PLANS AND USE OF PROCEEDS

technology system, among which approximately HK\$5.9 million will be used for introducing an ERP system and approximately HK\$4.2 million will be used for hiring 10 additional skilled employees so that the ERP system can be properly implemented and monitored. In particular, the estimated monthly salary of each additional skilled employee is S\$4,500 and it is expected that the salary expenses will be funded by the net proceeds until the first half in the year ending 31 December 2020;

- with reference to quotations of similar machineries and the market information of the salary of staff of similar position, approximately HK\$2.8 million, representing approximately 2.7% of the net proceeds, will be used to improve our quality assurance capability, among which approximately HK\$1.3 million will be used for acquiring two coordinate measurement machines which will be used to precisely measure the geometry of a part or assembly of our products for testing against the design specification in the year ending 31 December 2019 and 2020, respectively, to facilitate quality control and product testing processes and approximately HK\$1.5 million will be used for hiring four additional employees for our quality control department. In particular, the estimated monthly salary of each additional employee is S\$3,500 and it is expected that the salary expenses will be funded by the net proceeds until the first half in the year ending 31 December 2020;

- with reference to market information of similar marketing initiatives, approximately HK\$1.3 million, representing approximately 1.2% of the net proceeds, will be used to increase our marketing efforts over the next three years by organising marketing events with our existing and potential customers to secure new business opportunities, which includes:
 - at least twice a year, participating in local or international trade shows, seminars and workshops organised by other industry players, to keep ourselves abreast of the technology changes and market trends in the industry;
 - at least twice a year, hosting our existing and prospective customers to our production facilities where we can demonstrate our capabilities and expertise and strengthen our relationship with our customers;
 - enhancing our website and optimising search engine which in turn allow our prospective customers to reach out to us more easily; and
 - at least twice a year, placing advertisement in professional or trade magazines to increase industry players' awareness of us.

Having considered (i) our competitive strengths, especially our established history and proven track record; and (ii) our continuing effort to embrace and adopt new advanced technologies as mentioned above, our Directors believe that the abovementioned

FUTURE PLANS AND USE OF PROCEEDS

marketing initiatives can enhance our presence in the metal precision market in Singapore and thus effectively allow us to retain existing customers and attract new customers; and

- approximately HK\$9.5 million, representing approximately 9.0% of the net proceeds, will be used as working capital.

In the event that the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received from the Share Offer will increase or decrease by approximately HK\$9.5 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above.

We will issue an announcement in the event that there is any material change in the use of proceeds from the Share Offer as described above.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions for so long as it is in our best interests.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Koala Securities Limited

Supreme China Securities Limited

Yellow River Securities Limited

Sunfund Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to procure subscribers for the Public Offer Shares now being offered, or failing which, the Public Offer Underwriters shall subscribe or procure subscribers to subscribe for the Public Offer Shares on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time that did not exist prior to the date of the Public Offer Underwriting Agreement:

1. There shall develop, occur, exist or come into effect:
 - (i) any matter or event resulting in any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) becoming untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than any of the Sole Sponsor and the Public Offer Underwriters) which, in any such cases, is considered, in the sole and absolute opinion of the Sole Bookrunner, to be material in the context of the Public Offer; or
 - (ii) any statement contained in this prospectus, the post hearing information pack, the Application Forms, the formal notice and any announcement issued by our Company (including any supplement or amendment to each of the said documents) has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the sole and absolute opinion of any of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), to be material in the context of the Public Offer; or
 - (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the sole and absolute opinion of any of the Sole Sponsor and the Sole Bookrunner to be material in the context of the Public Offer; or
 - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of any of the Sole Sponsor and the Sole Bookrunner, a material omission in the context of the Public Offer; or

UNDERWRITING

- (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of our executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
 - (vi) any breach by any party to the Public Offer Underwriting Agreement (other than the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), is material;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Singapore, Hong Kong, Malaysia, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group (the “**Relevant Jurisdictions**”); or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in the Relevant Jurisdictions, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
 - (iii) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
 - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group’s business; or
 - (vi) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or

UNDERWRITING

- (vii) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities or foreign exchange trading or securities settlement or clearance services in or affecting the Relevant Jurisdictions; or
- (viii) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;
- (ix) a demand by any creditor for repayment or payment of any material indebtedness of any other member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (x) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;

which, in the sole and absolute opinion of any of the Sole Sponsor and the Sole Bookrunner acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

UNDERWRITING

Undertakings to the Stock Exchange under the Listing Rules

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Share Offer and the Capitalisation Issue, he or she or it shall not and shall procure that the relevant registered holder(s) shall not:

- (i) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities in respect of which he or she or it is shown by this prospectus to be the beneficial owners; and
- (ii) in the period of six months commencing on the date on which the period mentioned in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests, or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any securities or interest in the securities of our Company beneficially owned by him or it in favour of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold or transferred or disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement.

UNDERWRITING

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager and the Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”), our Company will not, and our Company, our Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Sole Sponsor and the Sole Bookrunner (acting on its behalf and on behalf of all the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so; or
- (iii) enter into any transactions with the same economic effect as any transaction described in paragraph (i) or (ii) above.

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Undertaking by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor, the Sole Bookrunner, our Company and the Public Offer Underwriters that during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates and companies controlled by it or he and any nominee or trustee holding in trust for it or he shall not, without the prior written consent of the Sole Sponsor and the Sole Bookrunner unless in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it or he is shown in this prospectus to be directly or indirectly interested (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor and the Sole Bookrunner, our Company and the Public Offer Underwriters that it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates or companies controlled by it or him and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or any of its or his associates or companies controlled by it or him or any nominee or trustee holding in trust for it or him if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month

UNDERWRITING

Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that within the first twelve months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform our Company, the Sole Sponsor and the Sole Bookrunner in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Bookrunner in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement.

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 5.0% of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, are payable by our Company with reference to the number of Offer Shares under the Share Offer respectively.

UNDERWRITING

SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sponsor will receive a sponsorship fee to the Share Offer. The Underwriters will receive an underwriting commission. For particulars of the underwriting commission, please refer to the paragraph headed "Commissions and expenses" in this section.

We have appointed Sunfund Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save for their obligations under the Underwriting Agreements, and as disclosed above, none of the Sponsor or the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

INDEPENDENCE OF THE SPONSOR

Sunfund Capital Limited, being the Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer consists of (subject to reallocation):

- the Public Offer of 25,000,000 Shares (subject to reallocation as mentioned below) as described under the paragraph headed “The Public Offer” in this section; and
- the Placing of 225,000,000 Shares (subject to reallocation as mentioned below) as described under the paragraph headed “The Placing” in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Pricing and Allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.60 per Offer Share and is expected to be not less than HK\$0.52 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.60 per Public Offer Share plus 1.0% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,030.23 for one board lot of 5,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.60 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, 6 July 2018 and in any event, no later than Thursday, 12 July 2018.

If, for any reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Bookrunner (for itself and on behalf of the Underwriters) consider it appropriate and together with our consent, the Sole Bookrunner (for itself and on behalf of the Underwriters) may reduce the indicative Offer Price range by less than 10% below the bottom end of the indicative Offer Price Range and/or the number of Offer Shares below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the Stock Exchange’s website and on our Company’s website, a notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. In addition, we will:

- (i) issue a supplemental prospectus updating investors of the reduction in the indicative offer price together with an update of all financial and other information in connection with such change;
- (ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- (iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Upon issue of such a notice and supplemental prospectus, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information in this prospectus which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunners (for itself and on behalf of the Underwriters).

Allocation of the Placing Shares pursuant to the Placing will be determined by the Sole Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer, and the basis of allocations of the Public Offer Shares are expected to be announced on Friday, 13 July 2018 on the Stock Exchange's website and on our Company's website.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied, will be made available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares – 10. Publication of results" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause the notice of the lapse of the Public Offer to be published on the Stock Exchange's website and on our Company's website on the next day following such lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for the Offer Shares are expected to be issued on Friday, 13 July 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 16 July 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for Termination” in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 25,000,000 Public Offer Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Public Offer” in this section.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools. Pool A will comprise 12,500,000 Public Offer Shares and Pool B will comprise 12,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary,

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Sole Bookrunner have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 75,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 75,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 100,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 100,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Shares available under the Public Offer will be increased to 125,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances where (a) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (a)(ii) above; or (b) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.52 per Offer Share) stated in this prospectus.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner and pursuant to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange and Practice Note 18 of the Listing Rules.

Applications

The Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or if such applicant has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered for subscription under the Placing will be 225,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Placing Shares with institutional, professional and other investors expected to have a sizeable demand for the Placing Shares in Hong Kong. Allocation of Placing Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" above.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 16 July 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 16 July 2018. The Shares will be traded in board lots of 5,000 Shares. The stock code is 1721.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, the Sponsor and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. HOW TO APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR OFFER SHARES

Which application channel to use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 to 12:00 noon on Thursday, 5 July 2018 from:

- (i) the following addresses of the Underwriters:

Koala Securities Limited	Units 01–02, 13/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Supreme China Securities Limited	Suites 2701–2, 27/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Yellow River Securities Limited	Unit D, 4/F, Trust Tower, 68 Johnston Road, Wan Chai, Hong Kong
Sunfund Securities Limited	Unit 702–3, 7/F, 100 Queen's Road Central, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
	Caine Road Branch	G/F., Caine Building 22 Caine Road Hong Kong
Kowloon	Mei Foo Branch	Shop N95A, 1/F Mount Sterling Mall Mei Foo Sun Chuen Kowloon
	San Po Kong Branch	Shop G10, Yue Xiu Plaza 3-23 Ning Yuen Street San Po Kong Kowloon
New Territories	Yan Ching Street Branch	Shops 4 and 5, G/F Tuen Mun Centre 11 Yan Ching Street Tuen Mun New Territories
	Yuen Long Branch	G/F, 197-199 Castle Peak Road Yuen Long New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Thursday, 5 July 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – FSM Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 29 June 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, 30 June 2018 – 9:00 a.m. to 1:00 p.m.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- Tuesday, 3 July 2018 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 4 July 2018 – 9:00 a.m. to 5:00 p.m.
- Thursday, 5 July 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 5 July 2018, the last application day or such later time as described in “9. Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) **agree** that none of our Company, the Sponsor, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not participated in the Placing nor applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (viii) **agree** to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sponsor, the Sole Bookrunner and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or as a result of any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant** and **undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorise** our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may see the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to **give electronic application instructions** via CCASS terminals to apply for the Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Sole Bookrunner and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have **given electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - **agree** to accept the Public Offer Shares applied for or any lesser number allocated;
 - **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - **confirm** that you understand that our Company, the Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 29 June 2018 – 9:00 a.m. to 8:30 p.m. ⁽¹⁾
- Saturday, 30 June 2018 – 8:00 a.m. to 1:00 p.m. ⁽¹⁾
- Tuesday, 3 July 2018 – 8:00 a.m. to 8:30 p.m. ⁽¹⁾
- Wednesday, 4 July 2018 – 8:00 a.m. to 8:30 p.m. ⁽¹⁾
- Thursday, 5 July 2018 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Thursday, 5 July 2018. The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 5 July 2018, the last application day or such later time as described in “9. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Lead Managers, the Co-Lead Manager, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before Thursday, 5 July 2018.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and conditions of the Share Offer – Pricing and allocation” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 5 July 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 13 July 2018 on our Company’s website at **www.fsmtech.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offering will be available at the dates and times and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.fsmtech.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than Friday, 13 July 2018;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Friday, 13 July 2018 to 12:00 midnight on Thursday, 19 July 2018;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 13 July 2018 to Wednesday, 18 July 2018 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 12 July 2018 to Tuesday, 17 July 2018 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. For further details, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner and its respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 13 July 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/ or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 13 July 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., Monday, 16 July 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 July 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 13 July 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 13 July 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 13 July 2018 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Offer Shares

For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 13 July 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “Publication of results” above on Friday, 13 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, 13 July 2018. Immediately following the credit of the Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 July 2018.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FSM HOLDINGS LIMITED AND SUNFUND CAPITAL LIMITED

Introduction

We report on the historical financial information of FSM Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-47, which comprises the combined statements of financial position as at 31 December 2015, 2016 and 2017, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-47 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 29 June 2018 (the "Document") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial*

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the combined financial position of the Group as at 31 December 2015, 2016 and 2017 and of the Group’s combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements defined on page I-4 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid or declared by FSM Holdings Limited in respect of the Track Record Period.

No statutory financial statements of the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

29 June 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Singapore dollars and all values are rounded to the nearest thousand (S\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2015 S\$'000	2016 S\$'000	2017 S\$'000
Revenue	6	18,531	12,598	20,791
Cost of sales	9	(11,599)	(8,561)	(12,215)
Gross profit		6,932	4,037	8,576
Other income	7	108	115	92
Other gains/(losses), net	8	507	254	(100)
Selling and distribution expenses	9	(251)	(212)	(244)
Administrative expenses	9	(1,689)	(1,530)	(1,823)
Operating profit		5,607	2,664	6,501
Finance income		–	1	–
Finance costs		(82)	(61)	(39)
Finance costs, net	12	(82)	(60)	(39)
Profit before income tax		5,525	2,604	6,462
Income tax credit/(expense)	13	60	(360)	(324)
Profit for the year attributable to owners of the Company		5,585	2,244	6,138
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Currency translation differences		(42)	39	15
Other comprehensive (loss)/income for the year, net of tax		(42)	39	15
Total comprehensive income for the year attributable to owners of the Company	30	5,543	2,283	6,153
Earnings per share attributable to owners of the Company (expressed in S\$ per share)				
Basic and diluted	14	N/A	N/A	N/A

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
		S\$'000	S\$'000	S\$'000
	Note			
ASSETS				
Non-current assets				
Property, plant and equipment	16	11,164	10,148	11,086
Prepayments	19	–	–	2,782
Deferred income tax assets	24	105	105	101
		<u>11,269</u>	<u>10,253</u>	<u>13,969</u>
		-----	-----	-----
Current assets				
Inventories	18	1,023	1,180	1,516
Trade and other receivables	19	2,243	2,674	4,499
Current income tax recoverable		21	61	–
Cash and cash equivalents	20	7,784	9,652	7,540
		<u>11,071</u>	<u>13,567</u>	<u>13,555</u>
		-----	-----	-----
Total assets		<u><u>22,340</u></u>	<u><u>23,820</u></u>	<u><u>27,524</u></u>
EQUITY				
Combined capital	21	2,594	2,594	2,594
Exchange reserve		(42)	(3)	12
Retained earnings		13,121	15,365	14,715
		<u>15,673</u>	<u>17,956</u>	<u>17,321</u>
Non-controlling interest	30	–	–	–
		<u>15,673</u>	<u>17,956</u>	<u>17,321</u>
		-----	-----	-----
Total equity		<u>15,673</u>	<u>17,956</u>	<u>17,321</u>

		As at 31 December		
		2015	2016	2017
	Note	S\$'000	S\$'000	S\$'000
LIABILITIES				
Non-current liabilities				
Obligations under finance leases	23	655	143	–
Deferred income tax liabilities	24	616	971	989
Provision	25	69	69	69
		<u>1,340</u>	<u>1,183</u>	<u>1,058</u>
		-----	-----	-----
Current liabilities				
Trade and other payables	25	3,555	3,077	5,344
Borrowings	22	787	653	3,170
Current income tax liabilities		–	–	301
Obligations under finance leases	23	693	523	–
Amounts due to shareholders	28	292	428	330
		<u>5,327</u>	<u>4,681</u>	<u>9,145</u>
		-----	-----	-----
Total liabilities		<u>6,667</u>	<u>5,864</u>	<u>10,203</u>
		-----	-----	-----
Total equity and liabilities		<u>22,340</u>	<u>23,820</u>	<u>27,524</u>
		=====	=====	=====

COMBINED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Combined capital S\$'000	Exchange reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance at 1 January 2015	30	2,344	—*	8,896	11,240
Comprehensive income					
Profit for the year	30	—	—	5,585	5,585
Other comprehensive loss for the year, net of tax					
Currency translation differences	30	—	(42)	—	(42)
Total comprehensive (loss)/income for the year	30	—	(42)	5,585	5,543
Transactions with owners, recognised directly in equity					
Capital contribution		250	—	—	250
Dividends	15	—	—	(1,360)	(1,360)
Total transactions with owners, recognised directly in equity		250	—	(1,360)	(1,110)
Balance at 31 December 2015	30	2,594	(42)	13,121	15,673
Balance at 1 January 2016	30	2,594	(42)	13,121	15,673
Comprehensive income					
Profit for the year	30	—	—	2,244	2,244
Other comprehensive income for the year, net of tax					
Currency translation differences	30	—	39	—	39
Total comprehensive income for the year	30	—	39	2,244	2,283
Balance at 31 December 2016	30	2,594	(3)	15,365	17,956

* Opening exchange reserve as at 1 January 2015 is less than S\$1,000.

	<i>Note</i>	Combined capital S\$'000	Exchange reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance at 1 January 2017	30	2,594	(3)	15,365	17,956
Comprehensive income					
Profit for the year	30	–	–	6,138	6,138
Other comprehensive income for the year, net of tax					
Currency translation differences	30	–	15	–	15
Total comprehensive income for the year	30	–	15	6,138	6,153
Transactions with owners, recognised directly in equity					
Dividends	15	–	–	(6,788)	(6,788)
Balance at 31 December 2017	30	2,594	12	14,715	17,321

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2015 S\$'000	2016 S\$'000	2017 S\$'000
Cash flows from operating activities				
Cash generated from operations	26	6,735	2,778	6,833
Interest paid		(19)	(23)	(23)
Income tax (paid)/refund		(25)	(45)	60
Net cash generated from operating activities		6,691	2,710	6,870
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,089)	(84)	(4,794)
Proceeds from disposals of property, plant and equipment		24	5	134
Interest received		–	1	–
Net cash used in investing activities		(1,065)	(78)	(4,660)
Cash flows from financing activities				
Payment of short-term borrowings		(136)	(134)	(139)
Payment for obligation under finance lease		(717)	(717)	(683)
Proceeds from capital contribution		250	–	–
Repayment to the Controlling Shareholders		(655)	(167)	(410)
Proceeds from the Controlling Shareholders		–	303	312
Dividends paid to the Controlling Shareholders		–	–	(6,125)
Net cash used in financing activities		(1,258)	(715)	(7,045)
Net increase/(decrease) in cash and cash equivalents		4,368	1,917	(4,835)
Cash and cash equivalents at beginning of the year		3,447	7,784	9,652
Currency translation differences		(31)	(49)	67
Cash and cash equivalents at end of the year	20	7,784	9,652	4,884

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 5 February 2018 as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") principally engage in precision engineering and sheet metal fabrication business ("the Listing Business"). The immediate and ultimate holding companies of the Company are KAL SG Limited and KYL SG Limited respectively. The ultimate controlling parties of the Group are Mr. Toe Tiong Hock ("Mr. Toe") and Ms. Wong Yet Lian ("Mrs. Toe") ("the Controlling Shareholders").

1.2 Reorganisation

Immediately prior to the Reorganisation (as defined below) and during the Track Record Period, the Listing Business was operated by Fine Sheetmetal Technologies Pte. Ltd. ("Fine Sheetmetal Technologies"), FSM Manufacturing Solutions Pte. Ltd. ("FSM Manufacturing Solutions (SG)"), Evercoat Technology Pte. Ltd. ("Evercoat Technology"), FSM Technology Pte. Ltd. ("FSM Technology (SG)"), FSM Manufacturing Solutions Sdn. Bhd. ("FSM Manufacturing Solutions (MY)") and FSM Technologies (M) Sdn. Bhd. ("FSM Technologies (MY)") (collectively, the "Operating Subsidiaries") which are companies incorporated in Singapore or Malaysia and controlled by the Controlling Shareholders.

In preparation for the initial public offering ("IPO") and listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, a group reorganisation (the "Reorganisation") was undertaken pursuant to which the Listing Business were transferred to the Company. The Reorganisation involved the following steps:

- (i) On 10 January 2018, KAL SG Limited ("KAL SG") and KYL SG Limited ("KYL SG") were incorporated in the British Virgin Islands (the "BVI") with limited liability and with authorised share capital of 50,000 ordinary shares at par value of US\$1.00 each. On the same date, KAL SG and KYL SG issued and allotted one fully paid share at par value to Mr. Toe and Mrs. Toe, respectively;
- (ii) On 5 February 2018, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation, one share of the Company was issued and allotted to the initial subscriber. On 5 February 2018, the subscriber share was transferred to KAL SG at par value. On the same date, the Company issued and allotted one fully paid share to KYL SG;
- (iii) On 1 March 2018, FSM Singapore Limited ("FSM Singapore") and FSM Malaysia Limited ("FSM Malaysia") were incorporated in the BVI with limited liability and authorised share capital of 50,000 ordinary shares with a par value of US\$1.00 each. On the same date, each of FSM Singapore and FSM Malaysia issued and allotted one fully paid share at par value to the Company;
- (iv) On 13 March 2018, Mrs. Toe acquired one share representing 0.0001% of the issued share capital of FSM Technologies (MY) from Ms. Lim Siew Choo ("Ms. Lim"), a minority shareholder, at consideration of MYR2.00. Since then, FSM Technologies (MY) is wholly owned by the Controlling Shareholders;
- (v) On 13 March 2018, Mrs. Toe acquired 50,000 shares and one share, representing 10% and 0.0002% of the issued share capital of FSM Manufacturing Solutions (MY), respectively, from Mr. Kyson Toe Wei Xian ("Mr. Kyson Toe") and Ms. Lim at the consideration of MYR3,852.00 and MYR1.00, respectively. Since then, FSM Manufacturing Solutions (MY) is wholly owned by the Controlling Shareholders;

- (vi) On 21 June 2018, Mr. Toe, Mrs. Toe, KAL SG, KYL SG, the Company, FSM Singapore and FSM Malaysia completed a share swap, pursuant to which:
- (a) each of Mr. Toe and Mrs. Toe transferred 720,000 shares and 480,000 shares in Fine Sheetmetal Technologies to FSM Singapore, respectively;
 - (b) each of Mr. Toe and Mrs. Toe transferred 200,000 shares and 100,000 shares in Evercoat Technology to FSM Singapore, respectively;
 - (c) Mr. Toe transferred 500,000 shares in FSM Technology (SG) to FSM Singapore;
 - (d) each of Mr. Toe and Mrs. Toe transferred 60,000 shares and 40,000 shares in FSM Manufacturing Solutions (SG) to FSM Singapore, respectively;
 - (e) each of Mr. Toe and Mrs. Toe transferred 300,000 shares and 700,000 shares in FSM Technologies (MY) to FSM Malaysia, respectively; and
 - (f) Mrs. Toe transferred 500,000 shares in FSM Manufacturing Solutions (MY) to FSM Malaysia.

In consideration of the above transfer, the Company issued and allotted 6,375,901 shares and 3,624,101 shares, credited as fully paid, to KAL SG and KYL SG, respectively;

- (vii) On 21 June 2018, the Company issued and allotted 2,751,800 shares at par value, credited as fully paid, to KYL SG.

Upon completion of the Reorganisation, the Company became the holding company of the companies comprising the Group.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital	As at 31 December 2015	Effective interest held			As at the date of this report	Principal activities/place of operation	Notes
				As at 31 December 2016	As at 31 December 2017				
Directly held by the Company									
FSM Singapore	BVI, 1 March 2018	US\$1	N/A	N/A	N/A	100%	Investment holding, BVI	(i)	
FSM Malaysia	BVI, 1 March 2018	US\$1	N/A	N/A	N/A	100%	Investment holding, BVI	(i)	
Indirectly held by the Company									
Fine Sheetmetal Technologies	Singapore, 1 August 1980	S\$1,200,000	100%	100%	100%	100%	Sheet metal fabrication with a focus on precision engineering and precision machining service, Singapore	(ii)	
FSM Technology (SG)	Singapore, 10 July 1997	S\$500,000	100%	100%	100%	100%	Sheet metal fabrication with a focus on precision engineering, Singapore	(ii)	

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital	As at 31 December 2015	Effective interest held			As at the date of this report	Principal activities/place of operation	Notes
				As at 31 December 2016	As at 31 December 2017				
FSM Manufacturing Solutions (SG)	Singapore, 6 February 2001	S\$100,000	100%	100%	100%	100%	Dormant, Singapore	(iii)	
Evercoat Technology	Singapore 7 June 1996	S\$300,000	100%	100%	100%	100%	Provision of post-treatment process, Singapore	(iv)	
FSM Manufacturing Solutions (MY)	Malaysia 26 January 2014	MYR500,000	89.9998%	89.9998%	89.9998%	100%	Handling of internal human resources and administrative matters, Malaysia	(v)	
FSM Technologies (MY)	Malaysia 9 November 2000	MYR1,000,000	99.9999%	99.9999%	99.9999%	100%	Sheet metal fabrication with a focus on precision engineering, Malaysia	(vi)	

- (i) No audited financial statements have been issued as there is no statutory requirements in the place of incorporation for these subsidiaries.
- (ii) The statutory financial statements of these subsidiaries for each of the years ended 31 December 2015 and 2016 were audited by Wu Chiaw Ching & Company, Public Accountants and Chartered Accountants of Singapore, and Wan Associates, Public Accountants and Chartered Accountants of Singapore, respectively.
- (iii) This subsidiary is exempted from statutory audit requirements under exempt private company status in Singapore.
- (iv) This subsidiary is exempted from statutory audit requirement under the provisions of Section 205C of the Companies Act in Singapore.
- (v) The statutory financial statements of this subsidiary for each of the years ended 31 March 2015, 2016 were audited by Park & Associates, Chartered Accountants of Malaysia.
- (vi) The statutory financial statements of this subsidiary for each of the years ended 31 December 2015 and 2016 were audited by Park & Associates, Chartered Accountants of Malaysia.

Except for Evercoat Technology (which has a year-end date of 30 June) and FSM Manufacturing Solutions (MY) (which has a year-end date of 31 March), all companies now comprising the Group have adopted 31 December as the year-end date.

1.3 Basis of presentation

Immediately prior to the Reorganisation and during the Track Record Period, the Listing Business was primarily conducted through the Operating Subsidiaries. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the Controlling Shareholders of the Listing Business remain the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Operating Subsidiaries. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of the Operating Subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business under the combined financial statements of the Operating Subsidiaries for all periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (the “IASB”). The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New standards and amendments to existing standards not yet adopted by the Group

The following are standards and amendments to existing standards that have been published, but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to Annual Improvements Projects	Annual improvements 2014–2016 Cycle	1 January 2018
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 financial instruments with IFRS 4 insurance Contracts	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to IFRS 15	Clarification to IFRS 15	1 January 2018
Amendments to IAS 40	Transfers of investment property	1 January 2018
IFRIC-Int 22	Foreign currency transactions and advance consideration	1 January 2018

		Effective for annual periods beginning on or after
Amendments to IFRS 9	Prepayment features with negative compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC-Int 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IAS 19	Employee benefits	1 January 2019
Amendments to IAS 28 (2011)	Investments in associates and joint ventures	1 January 2019
Annual improvements project	Annual improvements 2015–2017 cycle	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced by IAASB

IFRS 9 Financial instruments

Nature of change

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets as debt instruments currently classified as loans and receivables would likely continue to be measured at amortised cost.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Group assess that adopting IFRS 9 will not have material impact to the Group's results of operations and financial position.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. IFRSs 9 must be applied for financial years commencing on or after 1 January 2018.

The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

- (1) Identify the contract(s) with customer;
- (2) Identify separate performance obligations in a contract;
- (3) Determine the transaction price;
- (4) Allocate transaction price to performance obligations; and
- (5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings process” to an “asset-liability” approach based on transfer of control.

The Group's revenue recognition policies are disclosed in Note 2.18. Currently, revenue from distribution of products and from services are recognised in the combined statements of comprehensive income at the point of sale to customers or when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

The directors, based on the results of an initial assessment, consider that the new standard does not have a significant impact on the combined financial statements.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 16, Leases

Under IFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under IAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees.

The Group is a lessee of land from third parties which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.21, is to record the rental expenses in Group's combined statements of comprehensive income for the current year with the disclosure of related future minimum lease payments as operating lease commitments (Note 27(b)). As at 31 December 2017, the Group's total non-cancellable operating lease commitments amounted to S\$886,000. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the combined of statement of financial position. In

the combined statement of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. Given that the total non-cancellable operating lease commitments account for 8.7% of the total liabilities of the Group as at 31 December 2017, the directors of the Company expect that the adoption of IFRS 16 as compared with the current accounting policy would not result in significant impact on the Group's financial positions. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group's financial performance and position.

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the combined statement of comprehensive income, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRS.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified Mr. Toe and Mrs. Toe.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Historical Financial Information is presented in Singapore dollars ("S\$"), which is the Company's functional and Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in the foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "other gains/(losses), net".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

The cost of an item of property, plant and equipment initially recognised includes its purchase price, projected costs of dismantlement, removal or restoration and any other costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statement of comprehensive income during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on plant and equipment is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives, as follows:

Buildings	50 to 60 years
Plant and equipment	3 to 10 years
Office and computer equipment	3 to 10 years
Furniture and fittings	6 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the statement of comprehensive income.

2.6 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.7 Investments and other financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.8 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

2.9 Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of first-in, first out. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.7(c) for further information about the Group's accounting for trade receivables and Note 2.8 for a description of the Group's impairment policy.

2.11 Cash and cash equivalents

For the purpose of presentation in the combined statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the combined statements of financial position.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the combined statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in combined statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.16 Employee benefits**(a) Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the Group has delivered the parts to locations specified by its customers and the customers have accepted the parts in accordance with the customer purchase orders.

Services

Revenue from the provision of services is recognised when the services are rendered and customers have accepted the services in accordance with the customer purchase orders.

2.19 Interest income

Interest income is recognised using the effective interest method.

2.20 Borrowing costs

Borrowing costs include interest expense and finance charges in respect of finance lease. They are recognised in profit or loss in the period in which they are incurred.

2.21 Leases*Finance leases*

Assets held under hire purchase contracts are recognised as assets of the Company at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as an obligation under finance lease. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs as stated in the policy below.

When a sale and leaseback results in a finance lease, any gain on sale is deferred and recognised as an income over the lease term. Any loss on sale is immediately recognised as an impairment loss when the sale occurs.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.22 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the combined financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as liability at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

(a) Market risk**(i) Foreign exchange risk**

Foreign exchange risk arises from future transactions, recognised assets or liabilities denominated in a currency that is not the entity's functional currency. The Group mainly operates in Singapore and Malaysia with majority of the transactions settled in S\$, United States Dollars ("US\$") and Malaysian Ringgit ("MYR").

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

Management considers that the Group is mainly exposed to foreign currency risk with respect to US\$.

Had S\$ be strengthened/weakened by 2% for the years ended 31 December 2015, 2016 and 2017 against US\$ with all other variables held constant, the Group's post-tax profit for the years ended 31 December 2015, 2016 and 2017 would have been approximately S\$105,000, S\$68,000 and S\$125,000 lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of US\$-denominated cash and cash equivalent, trade and other receivables and trades and other payables.

(ii) Interest rate risk

The Group has no significant interest-bearing assets except for cash at bank, which earns low interest income. The Group's exposures to change in interest rates are mainly attributable to its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

If interest rates on borrowings had been 300 basis points fluctuated with all other variables held constant, the Group's post-tax profit for the year ended 2015, 2016 and 2017 would have been lowered by S\$20,000, S\$17,000 and S\$80,000 respectively.

(b) Credit risk

Credit risk is managed on a group basis. The Group's financial assets are trade and other receivables and cash and bank balances.

The amount of those assets stated in the combined statements of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is concentrated on a number of long established customers. As at 31 December 2015, 2016 and 2017, trade receivables from the top three customers accounted for approximately 76%, 89% and 98% of the Group's total trade receivables, respectively.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit history and to limit the amount of credit limit to customers to minimise credit risk resulting from counterparty default. The Company has assessed that the credit risk is considered to be low based on historical experience in collection of trade and other receivables.

The Company's bank deposits are placed with reputable financial institutions. Management does not expect any losses from non-performance by these banks.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents which are generated from internal operations and funding from the group companies.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2015						
Obligations under finance leases and interest expenses	-	720	535	150	-	1,405
Trade payables	-	1,312	-	-	-	1,312
Other payables	-	2,243	-	-	-	2,243
Borrowings	787	-	-	-	-	787
Amounts due to shareholders	-	292	-	-	-	292
	<u>-</u>	<u>2,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,922</u>
At 31 December 2016						
Obligations under finance leases and interest expenses	-	535	150	-	-	685
Trade payables	-	1,045	-	-	-	1,045
Other payables	-	2,032	-	-	-	2,032
Borrowings	653	-	-	-	-	653
Amounts due to shareholders	-	428	-	-	-	428
	<u>-</u>	<u>2,032</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>2,212</u>
At 31 December 2017						
Trade payables	-	1,912	-	-	-	1,912
Other payables	-	3,432	-	-	-	3,432
Borrowings	3,170	-	-	-	-	3,170
Amounts due to shareholders	-	330	-	-	-	330
	<u>-</u>	<u>5,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,674</u>

The table summarise the maturity analysis of the Group's bank loans with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates as follows:

	Year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Within 1 year	158	161	2,817
Between 1 and 2 years	161	161	161
Between 2 and 5 years	483	389	228
Over 5 years	67	–	–
	<u>869</u>	<u>711</u>	<u>3,206</u>

Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretions to demand immediate repayment. The Directors believe that such loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreement.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity as shown in statements of financial position.

The gearing ratios as at 31 December 2015, 2016 and 2017 were as follows:

	Year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Total borrowings (<i>Note 22</i>)	787	653	3,170
Total equity	<u>15,673</u>	<u>17,956</u>	<u>17,321</u>
Gearing ratio	<u>5.0%</u>	<u>3.6%</u>	<u>18.3%</u>

3.3 Fair value estimation

The Company has no significant financial instruments except trade and other receivables, trade and other payables and amount due from shareholders. The carrying amounts less impairment (where applicable) of these balances are a reasonable approximation of their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current and deferred income tax

The Group is subject to income taxes in Singapore and Malaysia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

(b) Estimated useful lives of property, plant and equipment

The Group's property, plant and equipment are depreciated based on their estimated useful lives and estimated residual values. This estimate is based on the expected utility of the asset to the Group and management experience in similar assets, and involve management's judgement. Actual economic lives may differ from estimated useful lives, and changes in management estimate could result in changes in depreciable lives and therefore depreciation expense in future periods.

5 SEGMENT INFORMATION

The Chief Operating Decision Maker Committee ("CODM") monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The CODM of the Group are Mr. Toe and Mrs. Toe during the Track Record Period.

The CODM monitors the performance of the Group based on profit after income tax. The CODM considers all business is included in a single operating segment.

The Group's external revenue is mainly derived from customers in Singapore. As at 31 December 2015, 2016 and 2017, there are S\$1,919,000, S\$1,674,000 and S\$1,922,000 non-current assets other than financial instruments and deferred income tax assets located in Malaysia.

Information about major customers

For the year ended 31 December 2015, 2016 and 2017, revenue generated from the top three customers accounted for approximately 86%, 89% and 97% of the total revenue for the Group, respectively. Other individual customers accounts for less than 10% of revenue.

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Customer A	6,101	5,500	8,012
Customer B	5,693	3,181	10,133
Customer C	4,154	2,469	2,034
	<u>15,948</u>	<u>11,150</u>	<u>20,179</u>

6 REVENUE

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Sale of goods	18,531	12,598	19,996
Services	–	–	795
	<u>18,531</u>	<u>12,598</u>	<u>20,791</u>

7 OTHER INCOME

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Government grant	94	105	30
Scrap sales	14	10	62
	<u>108</u>	<u>115</u>	<u>92</u>

8 OTHER GAINS/(LOSSES), NET

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Foreign exchange gains/(losses)	505	254	(135)
Gains from disposal of property, plant and equipment	2	–	35
	<u>507</u>	<u>254</u>	<u>(100)</u>

9 EXPENSES BY NATURE

	Year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Cost of inventories sold	5,875	3,490	5,615
Employee benefit expenses (including directors' emoluments) (Note 10)	3,819	3,281	4,309
Depreciation of property, plant and equipment (Note 16)	1,095	1,095	975
Operating lease expense in respect of land and buildings	413	402	406
Utilities	453	305	405
Subcontractor fees	1,050	869	1,451
Repair and maintenance of property, plant and equipment	273	364	436
Freight	195	143	221
Auditor's remuneration			
– Audit services	21	21	21
Others	345	333	443
	<u>13,539</u>	<u>10,303</u>	<u>14,282</u>
Represented by:			
Cost of sales	11,599	8,561	12,215
Selling and distribution expenses	251	212	244
Administrative expenses	1,689	1,530	1,823
	<u>13,539</u>	<u>10,303</u>	<u>14,282</u>

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Wages, salaries and allowances	3,329	2,814	3,612
Defined contribution plans	218	188	224
Others	272	279	473
	<u>3,819</u>	<u>3,281</u>	<u>4,309</u>

(a) Five highest paid individuals

For each of the years ended 31 December 2015, 2016 and 2017 the five individuals whose emoluments were the highest in the Group include 2, 2 and 2 directors, respectively, whose emoluments were reflected in the analysis presented in Note 11 to the Historical Financial Information. The emoluments paid to the remaining individuals are as follows:

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Wages, salaries and allowances	167	137	159
Defined contribution plans	19	15	18
	<u>186</u>	<u>152</u>	<u>177</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals		
	2015	2016	2017
HK\$1 to HK\$500,000 (equivalent to S\$1 to S\$84,745)	<u>3</u>	<u>3</u>	<u>3</u>

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

11 BENEFITS AND INTEREST OF DIRECTORS**(a) Directors' emoluments**

	Fee S\$'000	Salaries S\$'000	Other allowances and benefits in kind S\$'000	Discretionary bonuses S\$'000	Defined contribution pension costs S\$'000	Total S\$'000
For the year ended						
31 December 2015						
<i>Executive directors</i>						
Mr. Toe	178	199	-	-	34	411
Mrs. Toe	34	144	-	-	19	197
Ms. Lim	18	6	-	-	3	27
	<u>230</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>56</u>	<u>635</u>
For the year ended						
31 December 2016						
<i>Executive directors</i>						
Mr. Toe	163	181	-	-	33	377
Mrs. Toe	33	137	-	-	19	189
Ms. Lim	20	-	-	-	2	22
	<u>216</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>588</u>

	Fee	Salaries	Other allowances and benefits in kind	Discretionary bonuses	Defined contribution pension costs	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
For the year ended						
31 December 2017						
<i>Executive directors</i>						
Mr. Toe	168	177	–	–	33	378
Mrs. Toe	33	141	–	–	20	194
Ms. Lim	22	–	–	–	2	24
	<u>223</u>	<u>318</u>	<u>–</u>	<u>–</u>	<u>55</u>	<u>596</u>

Mr. Toe is the Chief Executive of the Company.

There was no arrangement under which a director has waived or agreed to waive any emolument during the Track Record Period.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Operating Subsidiaries and no directors waived any emolument during each of the years ended 31 December 2015, 2016 and 2017.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiaries and no emoluments were paid by the Company or the Operating Subsidiaries to the directors as an inducement to join the Company or the Operating subsidiaries, or as compensation for loss of office during each of the years ended 31 December 2015, 2016 and 2017.

Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung were appointed as the Company's independent non-executive directors on 22 June 2018. During the Track Record Period, the independent non-executive directors had not been appointed and had not received any remuneration.

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 11(a), the directors did not receive any other retirement benefits or termination benefits during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2015, 2016 and 2017, no consideration was provided to or receivable by third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2015, 2016 and 2017, there are no loans, quasi-loans and other dealing arrangements in favour of directors, their controlled bodies corporate and connected entities.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 28, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2015, 2016 and 2017 or at any time during the Track Record Period.

12 FINANCE COSTS, NET

	Year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Finance costs:			
Finance lease	63	38	15
Bank loan	19	23	23
Bank overdraft	—	—	1
	<u>82</u>	<u>61</u>	<u>39</u>
Finance income:			
Bank deposit	—	(1)	—
	<u>—</u>	<u>(1)</u>	<u>—</u>
Finance costs, net	<u><u>82</u></u>	<u><u>60</u></u>	<u><u>39</u></u>

13 INCOME TAX (CREDIT)/EXPENSE

Singapore and Malaysia income tax has been provided at the rate of 17% and 24% on the estimated assessable profit during the Track Record Period.

The amount of income tax expense charged to the combined statement comprehensive income represents:

	Year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Current income tax	(10)	5	302
Deferred income tax (<i>Note 24</i>)	<u>(50)</u>	<u>355</u>	<u>22</u>
Income tax (credit)/expense	<u><u>(60)</u></u>	<u><u>360</u></u>	<u><u>324</u></u>

The tax on the Group's profit before tax differs from the theoretical amount as follows:

	Year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Profit before income tax	<u>5,525</u>	<u>2,604</u>	<u>6,462</u>
Tax calculated at tax rate of 17%	939	442	1,098
Different tax rates in other countries	12	11	2
Income not subjected to tax	(64)	(29)	(29)
Expenses not deductible for tax purposes	24	11	103
Tax incentive (<i>Note 1</i>)	(967)	(72)	(693)
Partial tax exemption (<i>Note 2</i>)	—	—	(153)
Others	<u>(4)</u>	<u>(3)</u>	<u>(4)</u>
Income tax (credit)/expense	<u><u>(60)</u></u>	<u><u>360</u></u>	<u><u>324</u></u>

Notes:

- (1) Tax incentive relates to (i) Productive and Innovation Credit Scheme by the Singapore Tax Authority which allow entities to claim 400% tax deduction on qualifying expenditures and (ii) tax deduction for donations by the Singapore Tax Authority which allow entities to claim 300% tax deduction on qualifying donations.
- (2) Partial tax exemption relates to tax exemption of the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income.

14 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for each of the years ended 31 December 2015, 2016 and 2017 on a combined basis as disclosed in Note 1.3 above.

15 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends disclosed during each of the year ended 31 December 2015 and 2017 represented dividends declared and paid or payable by companies now comprising the Group to their then shareholders.

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>S\$'000</i>	Plant and equipment <i>S\$'000</i>	Office and computer equipment <i>S\$'000</i>	Furniture and fittings <i>S\$'000</i>	Total <i>S\$'000</i>
As at 1 January 2015					
Cost	8,667	13,253	992	606	23,518
Accumulated depreciation	(2,313)	(8,721)	(796)	(496)	(12,326)
Net book value	<u>6,354</u>	<u>4,532</u>	<u>196</u>	<u>110</u>	<u>11,192</u>
Year ended 31 December 2015					
Opening net book amount	6,354	4,532	196	110	11,192
Additions	41	1,018	30	–	1,089
Disposals	–	(22)	–	–	(22)
Depreciation	(176)	(835)	(56)	(28)	(1,095)
Closing net book amount	<u>6,219</u>	<u>4,693</u>	<u>170</u>	<u>82</u>	<u>11,164</u>
As at 31 December 2015					
Cost	8,708	13,145	1,022	606	23,481
Accumulated depreciation	(2,489)	(8,452)	(852)	(524)	(12,317)
Net book value	<u>6,219</u>	<u>4,693</u>	<u>170</u>	<u>82</u>	<u>11,164</u>

	Land and buildings <i>S\$'000</i>	Plant and equipment <i>S\$'000</i>	Office and computer equipment <i>S\$'000</i>	Furniture and fittings <i>S\$'000</i>	Total <i>S\$'000</i>
Year ended					
31 December 2016					
Opening net book amount	6,219	4,693	170	82	11,164
Additions	–	3	72	9	84
Disposals	–	(5)	–	–	(5)
Depreciation	(177)	(858)	(32)	(28)	(1,095)
Closing net book amount	<u>6,042</u>	<u>3,833</u>	<u>210</u>	<u>63</u>	<u>10,148</u>
As at 31 December 2016					
Cost	8,708	13,143	1,094	615	23,560
Accumulated depreciation	(2,666)	(9,310)	(884)	(552)	(13,412)
Net book value	<u>6,042</u>	<u>3,833</u>	<u>210</u>	<u>63</u>	<u>10,148</u>
Year ended					
31 December 2017					
Opening net book amount	6,042	3,833	210	63	10,148
Additions	13	1,709	88	202	2,012
Disposals	–	(99)	–	–	(99)
Depreciation	(177)	(656)	(48)	(94)	(975)
Closing net book amount	<u>5,878</u>	<u>4,787</u>	<u>250</u>	<u>171</u>	<u>11,086</u>
As at 31 December 2017					
Cost	8,721	14,223	1,182	817	24,943
Accumulated depreciation	(2,843)	(9,436)	(932)	(646)	(13,857)
Net book value	<u>5,878</u>	<u>4,787</u>	<u>250</u>	<u>171</u>	<u>11,086</u>

Depreciation of the Group's property, plant and equipment has been charged to the combined statements of comprehensive income as follow:

	Year ended 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Cost of sales	984	998	823
Selling and distribution expenses	28	38	37
Administrative expenses	83	59	115
	<u>1,095</u>	<u>1,095</u>	<u>975</u>

Borrowings are secured by a legal mortgage of a property of the Group with carrying amount of S\$5,554,000, S\$5,427,000 and S\$5,300,000 respectively as at 31 December 2015, 2016 and 2017 and personal guarantee by Mr. Toe. Such personal guarantee will be released upon Listing.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Financial assets as per combined statements of financial position			
Loans and receivables			
– Trade and other receivables	2,212	2,635	4,446
– Cash and cash equivalents	7,784	9,652	7,540
Total	<u>9,996</u>	<u>12,287</u>	<u>11,986</u>
Financial liabilities as per combined statements of financial position			
Financial liabilities measured at amortised cost			
– Trade and other payables	2,195	1,717	3,321
– Dividend payable	1,360	1,360	2,023
– Borrowings	787	653	3,170
– Obligations under finance leases	1,348	666	–
– Amounts due to shareholders	292	428	330
Total	<u>5,982</u>	<u>4,824</u>	<u>8,844</u>

18 INVENTORIES

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Raw materials (<i>Note</i>)	477	521	1,202
Finished goods	546	659	314
	<u>1,023</u>	<u>1,180</u>	<u>1,516</u>

Note: Raw materials comprise purchased parts amounting to S\$190,000, S\$228,000, S\$612,000 in each of the year ended 31 December 2015, 2016 and 2017.

The cost of inventories included in cost of sales amounted to S\$5,875,000, S\$3,490,000 and S\$5,615,000 for the years ended 31 December 2015, 2016 and 2017 respectively.

19 TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Non-current			
Prepayments for property, plant and equipment	–	–	2,782
Current			
Trade receivables	2,116	2,561	4,337
Less: provision for allowance for doubtful debts	–	–	–
Trade receivables, net	2,116	2,561	4,337
Prepayments	31	39	53
Deposits	95	68	103
Other receivables	1	6	6
	2,243	2,674	4,499
Total	2,243	2,674	7,281

The Group normally grants credit terms to its customers ranging from 30 to 90 days. The ageing analysis of these trade receivables based on invoice date is as follows:

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
0 to 30 days	1,046	1,381	1,788
31 to 60 days	663	967	2,030
61 to 90 days	308	145	201
Over 90 days	99	68	318
	2,116	2,561	4,337

As at 31 December 2015, 2016 and 2017, trade receivables of S\$351,000, S\$80,000 and S\$417,000, respectively, were past due but not impaired. These relate to a number of individual unrelated customers for whom there is no significant financial difficult and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Past due by:			
1 to 30 days	150	65	225
31 to 60 days	104	6	145
61 to 90 days	1	2	46
Over 90 days	96	7	1
	<u>351</u>	<u>80</u>	<u>417</u>

Bad debts amounting to S\$2,000 was written off in financial year ended 31 December 2016. There was no bad debts written off in financial years ended 31 December 2015 and 2017.

The Group's trade and other receivables are denominated in the following currencies:

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
United States dollars	1,091	1,338	2,929
Singapore dollars	1,112	1,302	4,140
Malaysia ringgit	40	34	212
	<u>2,243</u>	<u>2,674</u>	<u>7,281</u>

The carrying amounts of trade and other receivables approximate their fair values due to their short maturities.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above.

20 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Cash at banks and on hand	<u>7,784</u>	<u>9,652</u>	<u>7,540</u>

The maximum exposure to credit risk at the end of the reporting period is the book carrying value of the cash at banks and cash on hand.

Cash at banks earns interest income of floating rates based on daily bank deposit rates.

The Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
United States dollars	6,665	4,147	6,649
Singapore dollars	636	5,114	687
Malaysia ringgit	480	388	201
Japanese yen	3	3	3
	<u>7,784</u>	<u>9,652</u>	<u>7,540</u>

For the purpose of presenting the combined statement of cash flows, the cash and cash equivalents comprise the following at the end of the reporting period:

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Cash at bank and on hand	7,784	9,652	7,540
Bank overdrafts (<i>Note 22</i>)	–	–	(2,656)
	<u>7,784</u>	<u>9,652</u>	<u>4,884</u>

21 COMBINED CAPITAL

The Reorganisation has not been completed as at 31 December 2017. As mentioned in Note 1.3 above, the Historical Financial Information has been prepared as if the Group structure after the Reorganisation had been in existence throughout the years ended 31 December 2015, 2016 and 2017.

Combined capital as at 31 December 2015, 2016 and 2017 represent the combined share capital of the companies comprising the Group.

22 BORROWINGS

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Bank loan	787	653	514
Bank overdraft	–	–	2,656
Total borrowings	<u>787</u>	<u>653</u>	<u>3,170</u>

The Group's borrowing, after taking into account of repayable on demand clause, are repayable as follows:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Within 1 year or on demand	787	653	3,170
	<u>787</u>	<u>653</u>	<u>3,170</u>

The Group's borrowings repayable based on the scheduled repayment dates are as follows:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Within 1 year	135	138	2,799
Between 1 and 2 years	138	144	149
Between 2 and 5 years	448	371	222
Over 5 years	66	–	–
	<u>787</u>	<u>653</u>	<u>3,170</u>

The average effective interest rates per annum at the end of each Track Record Period were set out as follows:

	Year ended 31 December		
	2015	2016	2017
Bank loan	2.23%	3.18%	3.87%
Bank overdraft	N/A	N/A	13.74%
	<u>N/A</u>	<u>N/A</u>	<u>13.74%</u>

The carrying amounts of the Group's borrowings approximate their fair values as at 31 December 2015, 2016 and 2017 and are denominated in S\$.

Borrowings are secured by legal mortgage of a property held by the Group with carrying amount of S\$5,554,000, S\$5,427,000 and S\$5,300,000 as at 31 December 2015, 2016 and 2017, respectively, and personal guarantee by Mr. Toe. Such personal guarantee will be released upon Listing.

In addition to the above, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

23 OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain property, plant and equipment from third parties under finance leases. As at 31 December 2015, 2016 and 2017, the Group's finance leases were repayable as follows:

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Gross finance lease liabilities			
– minimum lease payments			
Not later than 1 year	720	535	4
Later than 1 year and not later than 2 years	535	150	–
Later than 2 years and not later than 5 years	150	–	–
	<u>1,405</u>	<u>685</u>	<u>4</u>
Future finance charges on finance lease	(57)	(19)	(4)
Present value of finance lease liabilities	<u><u>1,348</u></u>	<u><u>666</u></u>	<u><u>–</u></u>

The present value of obligations under finance lease are analysed as follows:

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Not later than 1 year	693	523	–
Later than 1 year and not later than 2 years	514	143	–
Later than 2 years and no later than 5 years	141	–	–
Total	<u><u>1,348</u></u>	<u><u>666</u></u>	<u><u>–</u></u>

The Group's obligations under finance lease are secured by the lessor's charge over the leased assets with net carrying amount of S\$2,361,000 and S\$2,076,000 as at 31 December 2015 and 2016, respectively.

The obligations under finance leases as at 31 December 2015, 2016 and 2017, respectively, are secured by personal guarantees by the Controlling Shareholders. Such personal guarantee will be released upon Listing.

Effective interest rates on the finance leases were 4.39%, 4.39% and 4.93% per annum during the years ended 31 December 2015, 2016 and 2017, respectively.

24 DEFERRED INCOME TAX

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Deferred income tax assets			
To be recovered after more than 12 months	105	105	101
Deferred income tax liabilities			
To be settled after more than 12 months	(616)	(971)	(989)
Deferred income tax liabilities (net)	<u><u>(511)</u></u>	<u><u>(866)</u></u>	<u><u>(888)</u></u>

The movements in deferred income tax assets of the Group during the year are as follows:

	Tax losses		
	Year ended 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Deferred income tax assets			
Beginning of the year	–	105	105
Credited/(charged) to the combined statements of comprehensive income (<i>Note 13</i>)	105	–	(4)
	<u>105</u>	<u>–</u>	<u>(4)</u>
End of the year	<u>105</u>	<u>105</u>	<u>101</u>

The movements in the deferred income tax liabilities of the Group during the year are as follows:

	Accelerated tax depreciation		
	Year ended 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Deferred income tax liabilities			
Beginning of the year	(561)	(616)	(971)
Charged to the combined statements of comprehensive income (<i>Note 13</i>)	(55)	(355)	(18)
	<u>(55)</u>	<u>(355)</u>	<u>(18)</u>
End of the year	<u>(616)</u>	<u>(971)</u>	<u>(989)</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

25 TRADE AND OTHER PAYABLES AND PROVISION

	As at 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Non-current			
Provision for reinstatement cost	69	69	69
	-----	-----	-----
Current			
Trade payables	1,312	1,045	1,912
Other payables and accruals			
– Dividend payable	1,360	1,360	2,023
– Accrued expenses	767	464	775
– Others	116	208	634
	<u>116</u>	<u>208</u>	<u>634</u>
	<u>3,555</u>	<u>3,077</u>	<u>5,344</u>
Total	<u>3,624</u>	<u>3,146</u>	<u>5,413</u>

The ageing analysis of the trade payables based on invoice date as at 31 December 2015, 2016, 2017 were as follows:

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
0 to 30 days	630	427	915
31 to 60 days	434	342	585
61 to 90 days	139	219	288
Over 90 days	109	57	124
	<u>1,312</u>	<u>1,045</u>	<u>1,912</u>

The carrying amounts of trade and other payables approximate their fair values due to their short maturities.

The Group's trade and other payables are denominated in the following currencies:

	As at 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Singapore dollars	1,695	1,483	3,056
US dollars	1,434	1,415	2,056
Malaysia Ringgit	495	248	301
	<u>3,624</u>	<u>3,146</u>	<u>5,413</u>

26 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operation:

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Profit before income tax	5,525	2,604	6,462
Adjustments for:			
Depreciation of property, plant and equipment (<i>Note 16</i>)	1,095	1,095	975
Gains on disposals of property, plant and equipment (<i>Note 8</i>)	(2)	–	(35)
Unrealised foreign exchange loss/(gain)	25	85	(51)
Finance costs (<i>Note 12</i>)	82	61	39
Finance income (<i>Note 12</i>)	–	(1)	–
	<u>6,725</u>	<u>3,844</u>	<u>7,390</u>
Operating profit before working capital changes	6,725	3,844	7,390
Changes in working capital:			
– inventories	(85)	(157)	(336)
– trade and other receivables	1,517	(431)	(1,825)
– trade and other payables	(1,422)	(478)	1,604
	<u>6,735</u>	<u>2,778</u>	<u>6,833</u>
Cash generated from operations	6,735	2,778	6,833

(b) Reconciliation of liabilities arising from financing activities

	As at 1 January 2015 S\$'000	Cash flows S\$'000	Interest on finance lease liabilities S\$'000	As at 31 December 2015 S\$'000
Borrowings	923	(136)	–	787
Obligations under finance leases	2,001	(717)	64	1,348
Amounts due to shareholders	947	(655)	–	292

	As at 1 January 2016 S\$'000	Cash flows S\$'000	Interest on finance lease liabilities S\$'000	As at 31 December 2016 S\$'000
Borrowings	787	(134)	–	653
Obligations under finance leases	1,348	(717)	35	666
Amounts due to shareholders	292	136	–	428

	As at 1 January 2017 S\$'000	Cash flows S\$'000	Interest on finance lease liabilities S\$'000	As at 31 December 2017 S\$'000
Borrowings (<i>Note</i>)	653	(139)	–	514
Obligations under finance leases	666	(683)	17	–
Amounts due to shareholders	428	(98)	–	330

Note: For the purpose of presenting the combined statement of cash flows, bank overdrafts are shown within cash and cash equivalents.

27 COMMITMENTS**(a) Capital commitments**

The Group has no capital commitments as at 31 December 2015 and 2016. As at 31 December 2017, the Group have capital commitments amounting to S\$1,427,000 for purchase of properties located in Malaysia.

(b) Operating lease commitments – Group as lessee

The Group leases land and buildings from third parties under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 December		
	2015 S\$'000	2016 S\$'000	2017 S\$'000
Not later than 1 year	416	422	140
Later than 1 year and not later than 5 years	728	668	401
Later than 5 years	2,343	1,996	345
	<u>3,487</u>	<u>3,086</u>	<u>886</u>

28 RELATED PARTY TRANSACTIONS**(a) Names and relationships with related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Group
Mr. Toe	Controlling Shareholder
Mrs. Toe	Controlling Shareholder
Mr. Kyson Toe	Child of Controlling Shareholder
Ms. Toe Yun Xu	Child of Controlling Shareholder
Ms. Toh Yun Han	Child of Controlling Shareholder

Save as disclosed elsewhere in the report, the Group had the following related transactions during the Track Record Period.

(b) Transactions with related parties

	Year ended 31 December		
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Emolument payable or paid			
– Mr. Kyson Toe	32	34	49
– Ms. Toe Yun Xu	32	33	34
– Ms. Toh Yun Han	–	–	41

(c) Transactions with the Controlling Shareholders

	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Payments made on behalf by the Controlling Shareholders	–	303	312
Repayments to the Controlling Shareholders	(655)	(167)	(410)

(d) Key management compensation

The executive directors of the Group are regarded as key management. Details of the key management compensation are disclosed in Note 11 to the combined financial statements.

(e) Amounts due to shareholders

The non-trade amounts due to shareholders is denominated in Singapore dollars, unsecured and repayable on demand. There is no transaction or balance with a related company or corporations outside of the Group.

29 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities.

30 NON-CONTROLLING INTEREST

Non-controlling interest is less than S\$1,000 as at 31 December 2015, 2016 and 2017. Profit attributable to non-controlling interest is less than S\$1,000 for each of the year ended 31 December 2015, 2016 and 2017.

31 SUBSEQUENT EVENTS

On 1 January 2018, the Company purchased property located in Singapore amounting to S\$2,474,000.

On 22 June 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each.

II FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 5 February 2018 with an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. No financial statements of the Company as at and for the Track Record Period are presented as the Company had not been incorporated.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this document, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the "Accountant's Report" set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Placing on the net tangible assets of the Group attributable to the owners of the Company as of 31 December 2017 as if the Share Offer had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2017 or at any future dates following the Share Offer.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 S\$'000 (Note 1)	Estimated net proceeds from the Share Offer S\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company as at 31 December 2017 S\$'000	Unaudited pro forma adjusted net tangible assets per Share	
				S\$ (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$0.52 per Share	17,321	16,258	33,579	0.03	0.20
Based on an Offer Price of HK\$0.60 per Share	17,321	20,526	37,847	0.04	0.22

Notes:

- (1) The audited combined net tangible assets attributable to the owners of the Company as at 31 December 2017 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

the audited combined net assets of the Group attributable to the owners of the Company as at 31 December 2017 of approximately S\$17,321,000 as the Group has no intangible asset as at 31 December 2017.

- (2) The estimated net proceeds from the Share Offer are based on 250,000,000 Offer Share and the indicative Offer Price of HK\$0.52 per Share and HK\$0.60 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses.
- (3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Share Offer, Reorganisation and Capitalisation Issue has been completed on 31 December 2017 but takes no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares as described in the section headed “Share Capital”.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Singapore dollars are converted into Hong Kong dollars at a rate of S\$1 to HK\$5.90, as set out in “Information about this Document and the Share Offer” to this document. No representation is made that Singapore dollar amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2017.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of FSM Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of FSM Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's document dated 29 June 2018, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2017 as if the proposed initial public offering had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Document*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 June 2018

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this document received from Ravia Global Appraisal Advisory Ltd., an independent valuer, in connection with its valuations as at 30 April 2018 of the properties held by our Group.



Unit B, 7/F, Chang Pao Ching Building,
No. 427–429 Hennessy Road, Wan Chai, Hong Kong
general@raviagroup.com
Tel: (852) 3624 7882 Fax: (852) 3007 8501

29 June 2018

FSM Holdings Limited
12 TUAS LINK 1
SINGAPORE 638595

Dear Sirs/Madam,

Re: Property Valuation of Various Properties in Singapore and Malaysia

In accordance with the instructions of FSM Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) to value the properties held by the Group in Singapore and Malaysia, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 April 2018 (the “**Date of Valuation**”) for the purpose of incorporation in the document of the Company dated 29 June 2018.

1. BASIS OF VALUATION

Our valuations of properties are our opinion of the market values which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORIZATION

In the course of our valuations, the properties held by the Group are categorized into the following groups:

- Group I – Properties held by the Group for owner-occupation in Singapore; and
- Group II – Property held by the Group owner-occupation in Malaysia

3. VALUATION METHODOLOGY

We have valued the properties by direct comparison approach assuming sale of the properties by making reference to comparable sale transactions as available in the relevant market.

4. TITLE INVESTIGATION

For the properties in Group I in Singapore, we have carried out title searches at the Singapore Land Authority. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

In the course of our valuation of the property in Malaysia, we have assumed that, unless otherwise stated, the transferable land use rights of the property for its term at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its legal adviser, Christopher & Lee Ong, regarding the title of the property and the interests of the Group in the property. In valuing the property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired land use term as granted.

We have been provided with extracts of documents relating to the title of the property in Malaysia. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the property and we have therefore relied on the advice given by the Group and its legal adviser regarding the Group's interests in the property in Malaysia.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATION

Our inspection was performed by Dr. Alan W K Lee in May 2018. We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and undertaken in accordance with The HKIS Valuation Standards of The Hong Kong Institute of Surveyors, which incorporates the International Valuation Standards (“IVS”).

8. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Singapore Dollars (“S\$”) and Malaysian Ringgit (“RM”). Where appropriate, the exchange rates we have adopted are S\$1 to HK\$5.8672 and RM1 to HK\$1.9740.

Our Summary of Values and Valuation Certificates are attached herewith.

Yours faithfully,

For and on behalf of

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

Dr. Alan W K Lee

PhD(BA) MFin BCom(Property)

MHKIS RPS(GP) AAPI CPV CPV(Business)

Director and Principal Valuer

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 14 years’ valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

SUMMARY OF VALUES

Group I – Properties held by the Group for owner-occupation in Singapore

No. Property	Market Value in Existing State as at 30 April 2018
1. 12 Tuas Link 1, Singapore 638595	S\$7,100,000
2. 15 Tuas South Street 1, Singapore 628064	S\$2,400,000
Total:	S\$9,500,000

Group II – Property held by the Group owner-occupation in Malaysia

No. Property	Market Value in Existing State as at 30 April 2018
3. 3 Industrial buildings situated on Geran 136424 Lot 111380, Geran 136425 Lot 111381 and Geran 136426 Lot 111382 in Mukim Plentong, Johor Bahru District, Johor, (also known as Nos. 33, 35 and 37, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor) Malaysia	RM7,530,000
Total:	RM7,530,000

VALUATION CERTIFICATE

Group I – Properties held by the Group for owner-occupation in Singapore

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 April 2018
1.	12 Tuas Link 1, Singapore 638595 (“Singapore Property I”)	<p>The property comprises a parcel of land with a site area of 4,130.5 sq.m. and various buildings and ancillary structures erected thereon, which were completed in about 1995.</p> <p>The property has a total gross floor area (“GFA”) of approximately 5,239.91 sq.m.</p> <p>The property is a leasehold estate and it has been granted for a term expiring on 17 June 2085.</p>	The property is occupied by the Group for industrial use.	S\$7,100,000

Notes:

- The registered owner of the property is Jurong Town Corporation.
- The property is leased to the Group for a term of 30 years commenced on 1 November 1995 with a total consideration for the rental period of S\$2,824,000.
- It is located along Tuas Bay, about 32 km from the city centre. It is situated within the Jurong Industrial Estate managed by the Jurong Town Corporation which features land for industrial development and factories.

The surrounding locality comprises standard/purpose-built factories designated for general industry use and vacant land for future developments. It has easy access to other parts of Singapore via Ayer Rajah Expressway and Pan Island Expressway.

- In undertaking our valuation, we have made reference to transactions within the subject property as well as other similar properties within the same district. The unit rates of the transactions of similar properties range from approximately S\$98 to S\$257 per sq ft.

Details of the transactions are as follow:

Contract Date	Address	Unit Area (sq ft)	Price (\$psf)	Price (\$)	Property	Tenure
5 Jun 17	Tuas Link 2	66,145	98	6,500,000	Factory	30+30 Yrs From 16/Feb/1996
3 Mar 17	Tuas Link 2	54,003	106	5,750,000	Factory	30+29 Yrs From 16/Dec/1996
24 Feb 14	Tuas Link 2	53,992	180	9,700,000	Factory	30 Yrs From 01/Apr/1999
14 Jun 13	Tuas Link 2	14,165	257	3,640,000	Factory	30 Yrs From 01/Jun/1997

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 April 2018
2.	15 Tuas South Street 1, Singapore 638064 (“Singapore Property II”)	<p>The property comprises a parcel of land with a site area of 1,421.9 sq.m. and various buildings and ancillary structures erected thereon, which were completed in about 2017.</p> <p>The property has a total gross floor area (“GFA”) of approximately 944 sq.m.</p> <p>The property is a leasehold estate and it has been granted for a term expiring on 14 April 2094.</p>	The property is occupied by the Group for industrial use.	S\$2,400,000

Notes:

- The registered owner of the property is Jurong Town Corporation.
- The property is leased to the Group for a term of 30 years commenced on 1 January 2018 with a land rent of S\$1,328.29 per month per annum and building premium of S\$2,398,704.
- It is located along Tuas Bay, about 32 km from the city centre. It is situated within the Jurong Industrial Estate managed by the Jurong Town Corporation which features land for industrial development and factories.

The surrounding locality comprises standard/purpose-built factories designated for general industry use and vacant land for future developments. It has easy access to other parts of Singapore via Ayer Rajah Expressway and Pan Island Expressway.

- In undertaking our valuation, we have made reference to transactions within the subject property as well as other similar properties within the same district. The unit rates of the transactions of similar properties range from approximately S\$98 to S\$257 per sq ft.

Details of the transactions are as follow:

Contract Date	Address	Unit Area (sqft)	Price (\$psf)	Price (\$)	Property	Tenure
5 Jun 17	Tuas Link 2	66,145	98	6,500,000	Factory	30+30 Yrs From 16/Feb/1996
3 Mar 17	Tuas Link 2	54,003	106	5,750,000	Factory	30+29 Yrs From 16/Dec/1996
24 Feb 14	Tuas Link 2	53,992	180	9,700,000	Factory	30 Yrs From 01/Apr/1999
14 Jun 13	Tuas Link 2	14,165	257	3,640,000	Factory	30 Yrs From 01/Jun/1997

Group II – Property held by the Group owner-occupation in Malaysia

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 April 2018
3.	3 Industrial buildings situated on Geran 136424 Lot 111380, Geran 136425 Lot 111381 and Geran 136426 Lot 111382 in Mukim Plentong, Johor Bahru District, Johor, (also known as Nos. 33, 35 and 37, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor) Malaysia (“Malaysia Property I”)	The property comprises 3 parcel of lands with a site area of 4,013.4114 sq.m. and various buildings and ancillary structures erected thereon, which were completed in about 2003. As advised by the Group, the property has a total gross floor area (“GFA”) of approximately 27,900 sq.ft. The property is a freehold land.	The property is occupied by the Group for industrial use.	RM7,530,000

Notes:

- The registered owner of the property is FSM Technologies (M) SDN. BHD.
- In undertaking our valuation, we have made reference to transactions within the subject property as well as other similar properties within the same district. The unit rates of the transactions of similar properties range from approximately RM264 to RM366 per sq ft.

Details of the transactions are as follow:

SPA Date	Address	Tenure	Land Area	Gross Area	Price (Gross) Per sq.ft.	Price
09/11/2017	JALAN CANGGIH 9	FREEHOLD	12,800ft ²	3,879sq.ft.	RM366	RM1,500,000
03/11/2017	JALAN MAJU 5	FREEHOLD	9,600ft ²	3,825sq.ft.	RM264	RM1,800,000
29/09/2017	JALAN GEMILANG 1	FREEHOLD	39,234ft ²	17,760sq.ft.	RM277	RM6,500,000
24/08/2017	JALAN GEMILANG 1	FREEHOLD	41,280ft ²	17,438sq.ft.	RM310	RM4,600,000

3. We have been provided with a Legal Opinion on the property prepared by the Group's legal adviser, which contains, *inter alia*, the following information:

Location/Address : Geran 136424 Lot 111380, Mukim Plentong, Daerah Johor Bahru, Negeri Johor bearing postal address at 33, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor

Remarks : Category of Land Use: Industrial

Express conditions:

- (i) The land shall be used for a Factory for the purposes of Lightweight Industrial use and other uses related to it, constructed in accordance with the approved plan by the relevant Local Authority
- (ii) All impurities and pollutants resulting from these activities shall be channelled/disposed of to the designated place specified by the Appropriate Authorities.
- (iii) All policies and conditions as may be prescribed and enforced from time to time by the Appropriate Authorities shall be complied with.

Restriction in Interest:

The land contained in the title shall not be transferred by any means except if the factory building, as provided for in the express condition, has been constructed in accordance with the plan approved by the relevant local authority.

Location/Address : Geran 136425 Lot 111381, Mukim Plentong, Daerah Johor Bahru, Negeri Johor bearing postal address at 35, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor

Remarks : Category of Land Use: Industrial

Express conditions:

- (i) The land shall be used for a Factory for the purposes of Lightweight Industrial use and other uses related to it, constructed in accordance with the approved plan by the relevant Local Authority.
- (ii) All impurities and pollutants resulting from these activities shall be channelled/disposed of to the designated place specified by the Appropriate Authorities.
- (iii) All policies and conditions as may be prescribed and enforced from time to time by the Appropriate Authorities shall be complied with.

Restriction in Interest:

- (a) The land contained in the title shall not be transferred by any means except if the factory building, as provided for in the express condition, has been constructed in accordance with the plan approved by the relevant local authority.
- (b) The land contained in this title if it is transferred to a Bumiputra or a Bumiputra Company shall not be later sold, leased or transferred by any means to a non-Bumiputra or a non-Bumiputra Company without the consent of the State Authority.

Location/Address : Geran 136426 Lot 111382, Mukim Plentong, Daerah Johor Bahru, Negeri Johor bearing postal address at 37, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor

Remarks : Category of Land Use: Industrial

Express conditions:

- (i) The land shall be used for a Factory for the purposes of Lightweight Industrial use and other uses related to it, constructed in accordance with the approved plan by the relevant Local Authority.
- (ii) All impurities and pollutants resulting from these activities shall be channelled/disposed of to the designated place specified by the Appropriate Authorities.
- (iii) All policies and conditions as may be prescribed and enforced from time to time by the Appropriate Authorities shall be complied with.

Restriction in Interest:

- (a) The land contained in the title shall not be transferred by any means except if the factory building, as provided for in the express condition, has been constructed in accordance with the plan approved by the relevant local authority.
- (b) The land contained in this title if it is transferred to a Bumiputra or a Bumiputra Company shall not be later sold, leased or transferred by any means to a non-Bumiputra or a non-Bumiputra Company without the consent of the State Authority.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 February, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). Our Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 June 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the

provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its

nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to our Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered

addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and

allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company

in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our

Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution

dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be

borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as

to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 23 February, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the

jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by

all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE GROUP**1. Incorporation**

- (a) Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 5 February 2018. Our Company has established the principal place of business in Hong Kong at Unit B, 17/F, United Centre, 95 Queensway, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 May 2018. Ms. Cheng Florence Ga Sui has been appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong.
- (b) As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this document.

2. Changes in the share capital of our Company

- (a) On 5 February 2018, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000.00 divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation, one fully paid Share was issued and allotted at par to the initial subscriber. On 5 February 2018, the subscriber Share was transferred to KAL SG at par value. On the same date, the Company issued and allotted one fully paid Share to KYL SG. Upon completion of such issuance and allotment of shares, our Company was owned as to 50% and 50% by KAL SG and KYL SG, respectively.
- (b) On 21 June 2018, Mr. Toe, Mrs. Toe, KAL SG, KYL SG, the Company, FSM Singapore and FSM Malaysia completed a share swap, pursuant to which, among others, the Company issued and allotted 6,375,901 Shares and 3,624,101 Shares, credited as fully paid, to KAL SG and KYL SG, respectively.
- (c) On 21 June 2018, the Company issued and allotted 2,751,800 Shares at par value, credited as fully paid, to KYL SG.
- (d) On 22 June 2018, the authorised share capital of the Company was increased from HK\$380,000.00 divided into 38,000,000 Shares to HK\$20,000,000.00 divided into 2,000,000,000 Shares by the creation of an additional of 1,962,000,000 Shares, each ranking *pari passu* with the Shares then in issue in all respects.

Save as disclosed above and in “4. Written resolutions of the Shareholders” below, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of the subsidiaries of our Company

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountant’s Report as set out in Appendix I to this document.

Save as disclosed in the section headed “History, development and Reorganisation – Reorganisation” in this document, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Written resolutions of the Shareholders

Pursuant to the written resolutions of the Shareholders passed on 22 June 2018, among other things:

- (a) conditional on the fulfilment or waiver of, among other things, the conditions set out in the section headed “Structure and conditions of the Share Offer – Conditions of the Public Offer” in this document (the “**Conditions**”):
 - (i) the Share Offer on the terms and conditions of this document and the Application Forms at the Offer Price was approved and the Directors were authorised to allot and issue the new Shares;
 - (ii) conditional further on the Listing Committee granting the listing of, and the permission to deal in, such number of Shares which may be allotted pursuant to the options which may be granted under the Share Option Scheme, the Share Option Schemes were approved and adopted, and the Directors or any committee of the Board were authorised, at their sole discretion, to make such further changes to the Share Option Schemes as requested by the Hong Kong Stock Exchange and which they may consider necessary, desirable or expedient in connection with the grant of options to subscribe for the Shares under the Share Option Schemes up to the limits as referred to in the Share Option Schemes and to allot, issue and deal with the Shares under the exercise of subscription rights attaching to the options which may be granted under the Share Option Scheme and to take all such action as they may consider necessary, desirable or expedient to implement the Share Option Schemes;

- (iii) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive the Shares) which may require the Shares to be allotted and issued or dealt with subject to the restriction that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, other than under (A) a Rights Issue (as defined below); (B) any scrip dividend scheme or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on the Shares in accordance with the Memorandum of Association and the Articles; (C) any specific authority granted by the Shareholders in general meeting; or (D) the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company, shall not exceed 20% of the number of issued Shares immediately following completion of the Share Offer;
- (iv) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to purchase on the Hong Kong Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which was recognised by the SFC and the Hong Kong Stock Exchange for this purpose, such number of Shares as would represent up to 10% of the number of issued Shares immediately following completion of the Share Offer; and
- (v) the general unconditional mandate as mentioned in paragraph 4(a)(iii) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by the Directors under such general mandate of an amount representing the aggregate number of Shares purchased by our Company under the mandate to repurchase Shares as referred to in paragraph 4(a)(iv) above,

for the purpose of paragraph 4(b)(iii) above, “**Rights Issue**” means an offer of Share or issue of options, warrants or other securities giving the right to subscribe for the Shares open for a period fixed by the Directors to the Shareholders whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as the Directors may consider necessary, desirable or expedient (but in compliance with the relevant Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company);

each of the general mandates referred to in paragraphs 4(a)(iii) and 4(a)(iv) above would remain in effect until the earliest of (A) the conclusion of our Company's next annual general meeting; (B) the expiration of the period within which our Company's next annual general meeting as required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and (C) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

- (b) the appointment of the Directors was approved, confirmed and ratified;
- (c) the Memorandum of Association and the Articles, the terms of which are summarised in Appendix IV to this document, were approved and adopted with immediate effect in the case of the Memorandum and conditionally with effect from the Listing Date in the case of the Articles; and
- (d) the Listing and the Share Offer were approved.

5. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. For details, please refer to the section headed "History, development and Reorganisation – Reorganisation" in this document.

6. Repurchase of our Company's own securities

This paragraph includes information relating to the repurchase of Shares, including information required by the Hong Kong Stock Exchange to be included in this document concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit the Shareholders to grant to the Directors the general mandate to repurchase Shares which are listed on the Hong Kong Stock Exchange. The general mandate to repurchase Shares is required to be given by way of an ordinary resolution passed by the Shareholders in general meeting.

(b) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 22 June 2018, the Directors were granted the general mandate to repurchase up to 10% of the aggregate par value of the Share in issue immediately following completion of the Share Offer on the Hong Kong Stock Exchange or on any other

stock exchange on which our Company's securities may be listed and which was recognised by the SFC and the Hong Kong Stock Exchange for this purpose. The general mandate to repurchase Shares will expire at the earliest of (i) the conclusion of our Company's next annual general meeting; (ii) the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**").

(c) Source of funds

Repurchase of Shares listed on the Hong Kong Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands. Our Company may not repurchase Shares on the Hong Kong Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. Subject to the foregoing, any repurchase of Shares by our Company must be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchaser over the par value of the Shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(d) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and the Shareholders as a whole for the Directors to have general authority to execute repurchases of Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where the Directors believe that the repurchases will benefit our Company and the Shareholders.

(e) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and the Articles, the Listing Rules or the Companies Law or any other applicable laws of the Cayman Islands. On the basis of the current financial position of our Company as disclosed in this document and taking into account the current working capital position of our Company, the Directors believe that, if the general mandate to repurchase Shares were to be exercised in full, it might have a material adverse effect on its working capital and/or the gearing position as compared with the position disclosed in this document.

However, the Directors do not propose to exercise the general mandate to repurchase Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(f) Share capital

The exercise in full of the current general mandate to repurchase Shares, on the basis of 100,000,000 Shares in issue immediately following completion of the Share Offer (without taking into account the options which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the Relevant Period.

(g) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Share to our Company.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they shall exercise the general mandate to repurchase Shares in accordance with the Listing Rules and the laws of Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in the voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

None of the core connected persons of our Company has notified our Company that he/she or it has a present intention to sell his or her or its Shares to our Company, or has undertaken not to do so, if the general mandate to repurchase Shares is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The members of our Group have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document which are or may be material:

- (a) a reorganisation agreement dated 13 June 2018 entered into by Mr. Toe, Mrs. Toe, KAL SG, KYL SG, the Company, FSM Malaysia and FSM Singapore relating to step (vi) of the Reorganisation as disclosed in the section headed “History, development and Reorganisation – Reorganisation” in this document in consideration of which and with reference to the net asset value of the relevant companies as at 31 December 2017, the Company issued and allotted 6,375,901 Shares and 3,624,101 Shares, credited as fully paid, to KAL SG and KYL SG, respectively;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-Competition; and
- (d) the Public Offer Underwriting Agreement.

2. Intellectual property rights**(a) Trademarks**

As at the Latest Practicable Date, our Group had applied for registration of the following trademark:

Trademark	Place of Application	Applicant	Class	Application number	Date of application
 	Hong Kong	Our Company	40	304438972	22 February 2018
 	Singapore	Our Company	40	40201803801U	1 March 2018
 	Malaysia	Our Company	40	2018054393	2 March 2018

(b) Domain name

As at the Latest Practicable Date, we have registered the following domain name which is material to our business:

Domain name	Registered owner	Registration date	Expiry date
www.fsmtech.com	Fine Sheetmetal Technologies	28 February 2005	28 February 2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Interests and/or short positions of our Directors in the shares, underlying shares and debentures of our Company or any associated corporation**

Immediately following completion of the Share Offer (without taking into account the options which may be granted under the Share Option Scheme), the interests and short positions of each Director and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) once the Shares are listed, or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Hong Kong Stock Exchange once the Shares are listed, will be as follows:

(i) Long position in shares

Name of Director	Capacity/nature	Number of Shares held	Percentage of shareholding
Mr. Toe <i>(Note)</i>	Interest in controlled corporation	750,000,000	75%
Mrs. Toe <i>(Note)</i>	Interest in controlled corporation	750,000,000	75%

Note: Since (i) Mr. Toe is the spouse of Mrs. Toe and (ii) KAL SG and KYL SG are wholly owned by Mr. Toe and Mrs. Toe, respectively, each of Mr. Toe and Mrs. Toe is deemed to be interested in all the Shares held by KAL SG and KYL SG for the purpose of SFO.

(ii) Long position in the Shares of associated corporation

Name of Director	Associated corporation	Capacity/nature	Number of Shares held	Percentage of interest
Mr. Toe <i>(Note)</i>	KAL SG	Beneficial owner	750,000,000	75%
Mrs. Toe <i>(Note)</i>	KYL SG	Beneficial owner	750,000,000	75%

Note: Since (i) Mr. Toe is the spouse of Mrs. Toe and (ii) KAL SG and KYL SG are wholly owned by Mr. Toe and Mrs. Toe, respectively, each of KAL SG and KYL SG is deemed to be interested in all the Shares held by KAL SG and KYL SG for the purpose of SFO.

2. Interests and/or short positions discloseable under the SFO and the substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Share Offer (without taking into account the options which may be granted under the Share Option Scheme), the interests and short positions of the following persons, not being a Director or chief executive officer of our Company which will have to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group, will be as follows:

Name of Director	Capacity/nature	Number of Shares held	Percentage of shareholding
KAL SG <i>(Note)</i>	Beneficial owner	750,000,000	75%
KYL SG <i>(Note)</i>	Beneficial owner	750,000,000	75%

Note: Since (i) Mr. Toe is the spouse of Mrs. Toe and (ii) KAL SG and KYL SG are wholly owned by Mr. Toe and Mrs. Toe, respectively, each of KAL SG and KYL SG is deemed to be interested in all the Shares held by KAL SG and KYL SG for the purpose of SFO.

3. Particulars of service agreements and appointment letters

(a) Executive Directors

Each of the executive Directors has entered into a service agreement with our Company under which he/she has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement or otherwise in accordance with the terms of the service agreement.

Each of the executive Directors is entitled to a monthly salary and discretionary bonus. The aggregate annual salary (excluding discretionary bonus) of the executive Directors is approximately S\$0.7 million.

(b) *Independent non-executive Directors*

Each of the independent non-executive Directors has entered into an appointment letter with our Company under which he/she has agreed to act as an independent non-executive Director for an initial term of three years commencing from the Listing Date. The aggregate annual fees payable to the independent non-executive Directors is S\$0.1 million.

(c) *Remuneration of the Directors*

- (i) For the three years ended 31 December 2017, the aggregate emoluments paid and benefits in kind granted by us to our Directors were approximately S\$0.6 million, S\$0.6 million and S\$0.6 million, respectively.
- (ii) The aggregate remuneration (excluding discretionary bonus) payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the financial year ending 31 December 2018 under the arrangements in force at the date of this document are estimated to be approximately S\$0.6 million.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into a service agreement with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory)).

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	22 June 2018, the date on which the Share Option Scheme is conditionally adopted by the Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee thereof
“Business Day”	any day on which the Hong Kong Stock Exchange is open for the business of dealings in securities

“Group”	our Company and its subsidiaries from time to time
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholder passed on 22 June 2018:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

(b) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant, adviser, substantial shareholder, distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

For the purpose of calculating the subscription price, where our Company has been listed on the Hong Kong Stock Exchange for less than five Business Days, the issue price of the Shares on the Hong Kong Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be

granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.
- (v) The exercise of any option(s) shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of Shares upon exercise of options.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

- (i) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme

and any other share option schemes of our Company in any 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or other interim period (whether or not required under the Listing Rules); and
 - (b) the last day on which our Company shall publish an announcement of the results for any year or half-year period under the Listing Rules, or other interim period (whether or not required under the Listing Rules),
and ending on the date of the results announcement.
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (b) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Memorandum of Association and the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior

to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with the Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the date of resignation (in the case of employee) or the date of cessation of such engagement of a consultant or an adviser (as the case may be) (which date will be the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Hong Kong Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no

adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise, arrangement, amalgamation or merger

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company, or an amalgamation or a merger involving our Company and any other company or companies pursuant to the Companies Act, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement, and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting of our Company directed to be convened by the court for the purposes of considering such compromise or arrangement, or the date of the general meeting of our Company to be convened for the purposes of considering the amalgamation or the merger, as applicable (“**Suspension Date**”), by

giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. If the resolution(s) approving such a compromise, arrangement, amalgamation or merger is/are passed at such proposed general meeting with effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise, arrangement, amalgamation or merger becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise, arrangement, amalgamation or merger form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise, arrangement, amalgamation or merger. For a compromise or arrangement, if for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal.

(t) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) in the event that the grantee is an employee of our Group when an offer is made to him/her and he/she subsequently ceases to be an employee of our

Group on any one or more of the grounds that he/ she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, the date of cessation of his/her employment with our Group. A resolution of the Board or the board of directors of the relevant member of our Group to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (t)(v) shall be conclusive and binding on the grantee;

- (vi) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vii) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (viii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme

which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Hong Kong Stock Exchange for the listing of and permission to deal in 100,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnity

The Controlling Shareholders (together, the “**Indemnifiers**”) have entered into the Deed of Indemnity to provide the following indemnities in favour of our Company (for itself and as trustee for each of the subsidiaries of our Company from time to time).

Under the Deed of Indemnity, the Indemnifiers have jointly and severally agreed, covenanted and undertaken to our Company (for itself and as trustee for its subsidiaries) that they will indemnify each member of our Group against (a) all damages, losses, claims, fines, penalties, charges, fees, costs, interests, expenses (including all legal costs and expenses), actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of property (with reference to the physical and legal status of such property at the time when such property's owner or user became a subsidiary of our Company) and any other liabilities of whatever nature (the "**Damages**") which members of our Group may sustain, suffer, incur or be imposed by any regulatory authority or court in Singapore, Malaysia, Hong Kong or any applicable jurisdiction as a result of any violation or non-compliance by any member of our Group with any applicable law, rule or regulation on all matters subsisting prior to the date on which the conditions set out in the section headed "Structure and conditions of the Share Offer – Conditions of the Public Offer" in this document being fulfilled (the "**Effective Date**"); (b) taxation, together with all reasonable costs (including all legal costs), expenses or other liabilities which any member of our Group may incur in connection with (i) the investigation, assessment, contesting or settlement of any taxation claim under the Deed of Indemnity; (ii) any legal proceeding in relation to taxation claim in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or (iii) the enforcement of any such settlement or judgment falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is changeable against or attributable to any other person, firm or company; (c) any liability for Hong Kong estate duty which might be incurred by any member of our Group and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Effective Date; (d) all or any Damages which members of our Group may sustain, suffer and incur as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (i) any member of our Group, their respective directors and/ or representatives or any of them is/are involved; and/or (ii) arises due to some act or omission of, or transaction voluntarily effected by, any member of the Group or any of them (whether alone or in conjunction with some other act, omission or transaction) on or before the Effective Date; and (e) all or any Damages which members of our Group may sustain, suffer and incur arising from or in connection with the title defects of the properties owned by or leased by any member of our Group (either due to non-registration of the lease agreements or any other reasons) in any jurisdiction which were occurred on or before the Effective Date.

The Indemnifiers will not, however, be liable under the Deed of Indemnity (a) to the extent that allowance, provision or reserve has been made for taxation in the audited

accounts of our Group for the Track Record Period; (b) to the extent that taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any introduction of new legislation or any retrospective change in law or the interpretation or practice by the relevant tax authority coming into force after the Effective Date or to the extent that the taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; (c) for which any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business on or before the Effective Date; (d) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the consent of the Indemnifiers and otherwise than in the ordinary course of business on or before the Effective Date; (e) to the extent of any allowance or provision or reserve made for taxation in the audited accounts of our Group for the Track Record Period, which is finally established to be an over-allowance or over-provision or an excessive reserve provided that the amount of any such allowance or provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; (f) to the extent that the taxation claim arises or is incurred as a consequence of a change in any accounting policy or practice adopted by any other member of our Group after the Effective Date; (g) to the extent that any member of our Group shall have admitted liability in respect of the circumstances giving rise to the claim for taxation after the Effective Date; or (h) to the extent that any penalty is imposed on the Group under section 42 of the Estate Duty Ordinance by reason of the Company defaulting in any obligation to give information.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon our Company or any of its subsidiaries in the Cayman Islands, the BVI, Singapore, Malaysia and Hong Kong.

2. Litigation or claims

As of the Latest Practicable Date, no member of our Group was subject to any actual, pending or threatened litigation or claims of material importance which would have a material impact on our Group's operations, financials and reputation.

3. The Sole Sponsor

The Sole Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this document (including any options which may be granted under the Share Option Scheme).

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in relating to the Listing is HK\$5.2 million.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$31,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
Sunfund Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Rajah & Tann Singapore LLP	Legal advisers to our Company as to Singapore laws
Christopher & Lee Ong	Legal advisers to our Company as to Malaysia laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Ipsos Pte. Ltd.	Independent industry consultant
Ravia Global Appraisal Advisory Limited	Property valuer
PricewaterhouseCoopers Singapore Pte. Ltd.	Transfer pricing consultant

7. Consents of experts

Each of the above experts has given and has not withdrawn its written consent to the issue of this document with its statements, all of which are dated the date of this document and made for incorporation in this document, and references to its name included in this document in the form and context in which they are included.

8. Miscellaneous

Save as disclosed in this document:

- (a) taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following completion of the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of the Directors nor any of the parties listed in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;
- (d) no capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option;
- (e) our Company has not issued or agreed to issue any founder or management or deferred Shares;
- (f) our Group has no outstanding debentures or convertible debt securities;
- (g) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;
- (h) there is no arrangement under which future dividends are waived or agreed to be waived;
- (i) no commissions, discounts, brokerages or other special terms were granted within the two years immediately preceding the date of this document in connection with the issue or sale of any capital of any member of our Group, and none of

the Directors nor any of the parties listed in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has received any such payment or benefit;

- (j) within the two years immediately preceding the date of this document, no commission (but not including commission to the Underwriters) had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Share in or debenture of our Company; and
- (k) in case of discrepancy, the English version of this document shall prevail over the Chinese version.

9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual document

The English version and the Chinese version of this document are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Document from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** Application Forms;
- (b) copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this document; and
- (c) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Benny Pang & Co, at 27TH Floor, 100QRC, 100 Queen’s Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles;
- (b) the Accountant’s Report of our Group from PricewaterhouseCoopers in respect of the historical financial information for the three years ended 31 December 2017, the text of which is set out in Appendix I to this document;
- (c) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;
- (d) the audited combined financial statements of the Group for the three years ended 31 December 2017;
- (e) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this document;
- (f) the service agreements referred to in the paragraph headed “C. Further information about our Directors – 3. Particulars of service agreements and appointment letters” in Appendix V to this document;
- (g) the rules of the Share Option Scheme referred to in the paragraph headed “D. Share Option Scheme” in Appendix V to this document;

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- (h) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix V to this document;
- (i) the industry report prepared by Ipsos Pte. Ltd.;
- (j) the Companies Law;
- (k) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law as referred to in Appendix IV to this document;
- (l) the legal opinion prepared by Rajah & Tann Singapore LLP, legal advisers to our Company as to Singapore laws;
- (m) the legal opinion prepared by Christopher & Lee Ong, legal advisers to our Company as to Malaysia laws;
- (n) the valuation report relating to the property interest of our Group prepared by Ravia Global Appraisal Advisory Limited, the text of which is set out in Appendix III to this document; and
- (o) the transfer pricing report prepared by PricewaterhouseCoopers Singapore Pte. Ltd.



FSM Holdings Limited