2018
ANNUAL REPORT

FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1721

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Independent Non-Executive Directors

Mr. Ng Hung Fai Myron
Mr. Bau Siu Fung
Prof. Pong Kam Keung

Executive Directors

Mr. Toe Tiong Hock
(Chairman and Chief Executive Officer)
Ms. Wong Yet Lian *(Chief Operating Officer)*
Ms. Lim Siew Choo

AUDIT COMMITTEE

Mr. Bau Siu Fung *(Chairman)*
Mr. Ng Hung Fai Myron
Prof. Pong Kam Keung

REMUNERATION COMMITTEE

Prof. Pong Kam Keung *(Chairman)*
Mr. Bau Siu Fung
Ms. Wong Yet Lian

NOMINATION COMMITTEE

Mr. Toe Tiong Hock *(Chairman)*
Mr. Ng Hung Fai Myron
Prof. Pong Kam Keung

COMPANY SECRETARY

Ms. Cheng Florence Ga Sui *HKICS*

AUTHORISED REPRESENTATIVES

Ms. Cheng Florence Ga Sui *HKICS*
Mr. Toe Tiong Hock

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

12 Tuas Link 1
Singapore 638595

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 17/F
United Centre
95 Queensway
Hong Kong

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 BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

COMPLIANCE ADVISER

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

LEGAL ADVISERS

Benny Pang & Co
Solicitors, Hong Kong
27th Floor 100QRC
100 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

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

AUDITOR

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

COMPANY'S WEBSITE

www.fsmtech.com
(Note: information contained in this website does not form part of this annual report)

STOCK CODE

1721

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors (the "Board") of FSM Holdings Limited (the "Company", together with its subsidiaries, the "Group", "we", "FSM" or "us"), it is my pleasure to present the first annual report of the Group for the financial year ended 31 December 2018 ("Financial Year" or "FY2018").

CORPORATE DEVELOPMENT

Our Group's business of sheet metal fabrication started in 1992 and our business operations has expanded over the years. FY2018 has been an eventful year for the Group with the successful listing on the Mainboard of Hong Kong Stock Exchange on 16 July 2018 (the "Listing") and the net proceeds from the Listing amounted to HK$95.2 million will be utilised 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.

During FY2018, the Group acquired property interest in 15 Tuas South Street 1, Singapore ("Singapore Property II"), initiated purchase of No. 40 and 42 Jalan Gemilang 3 Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor, Malaysia ("Malaysia Property II"); and began installations, staff-training and purchase for three more-advanced machineries. The above expansion strategy will help to maintain our competitive edge in our ability to continually by allowing us to provide our customers a comprehensive and cost-effective service.

PERFORMANCE REVIEW

In FY2018, we continued to make good progress with respect to our strategic priorities and in building a more customer-oriented Group. Although we had expected a challenging FY2018 due to the weakness in demand in the sales of sheet metal products, we met those challenges head on and managed to come through it well.

For the year ended 31 December 2018, the revenue of the Group was approximately S$19.8 million, gross profit was approximately S$8.6 million and profit before taxation was approximately S$3.0 million. Excluding the impact of non-recurring listing expenses incurred relating to listing of the Company's shares on Mainboard, the Group's profit attributable to owners of the Company for the year ended 31 December 2018 would be S$6.3 million as compared to S$6.1 million for the year ended 31 December 2017.

OUTLOOK

The International Monetary Fund, in its world economic outlook, forecasts a global growth rate of 3.5% for 2019. developments occurred against a backdrop of weakening financial market sentiment, trade policy uncertainty, and concerns about China's outlook. While the announcement on 1 December 2018 that tariff hikes have been put on hold for 90 days in the US-China trade dispute is welcome, the possibility of tensions resurfacing in the spring casts a shadow over global economic prospects. [i]

During FY2018, trade policies announced by the US, such as increasing tariffs on steel and aluminium imports and global worries over an emerging "trade war" in the last quarter of 2018, may have caused uncertainty to the market. Despite these external threats, the Group is cautiously optimistic about its business prospects and will continue to be prudent, focusing on building our capabilities and competitiveness over the mid and long-term horizon.

At FSM, we focus on things that we do well, and measure our success, against our peers, in the markets, that we compete in. No matter how much we value technology, we will always rely primarily on the tail winds of the market. Consistent quality for products and services and production efficiency will be our focus in the foreseeable future.

Chairman's Statement

MESSAGE OF THANKS

This has been a period of significant change for FSM. Like our home town of Singapore, the only constant is change itself. Let me take this opportunity to thank all our stakeholders – the board of directors (the "Board"), our esteemed customers, our loyal and dedicated employees, and you, our investors, for staying with us from our pioneering past into an ever more- exciting future.

Sincerely,

Toe Tiong Hock
Founder, Chairman and Executive Director
FSM Holdings Limited
Hong Kong, 15 March 2019

Sincerely,

Wong Yet Lian
Co-Founder and Executive Director
FSM Holdings Limited
Hong Kong, 15 March 2019

[i] https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. For the periods in review, 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.

During the year ended 31 December 2018, the revenue of the Group decreased by 4.8% to approximately S$19.8 million as compared to approximately S$20.8 million for the year ended 31 December 2017. The drop in revenue was mainly contributed by the product life cycle of a product of our customer gradually declining in the printing application.

Singapore's manufacturing sector expanded 5.1% in the fourth quarter of 2018, bringing full-year growth to 7.2% in 2018, with 5.2% drop in the precision engineering and 1.1% drop in the general manufacturing sub-sector in the fourth quarter of 2018. The manufacturing sector of Singapore remains an important sector for Singapore with it comprising 21.4% of the nominal GDP for Singapore's economy for 2018.

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.

Having considered the above, 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.

REVENUE

The Group's principal operating activities are as follows: (i) sale of sheet metal products; and (ii) precision machining services.

An analysis of the Group's revenue for the financial year ended 31 December 2018 compared to the year ended 31 December 2017 is as follows:

	Year ended 31 December	
	2018 **S$'000**	2017 S$'000
Sale of sheet metal products	**19,237**	19,996
Precision machining services	**611**	795
Total	**19,848**	20,791

Management Discussion and Analysis

The Group's revenue decreased from approximately S$20.8 million for the year ended 31 December 2017 ("FY2017") to approximately S$19.8 million for the year ended 31 December 2018 ("FY2018"), representing a decrease of approximately S$1 million or 4.8%.

Revenue from sale of sheet metal products decreased by approximately S$0.8 million or 4.0% from approximately S$20.0 million for the year ended 31 December 2017 to S$19.2 million for the year ended 31 December 2018. Revenue from precision machining services decreased by approximately S$0.2 million or 25.0% from approximately S$0.8 million for the year ended 31 December 2017 to S$0.6 million for the year ended 31 December 2018.

The decreased in revenue from sale of sheet metal products was mainly attributable to decreasing sales for products in printing application.

The following table sets out the breakdown of our revenue from the sale of sheet metal products by the type of application:

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Semiconductor manufacturing	**10,644**	10,875
Machinery and machine tools manufacturing	**8,366**	8,056
Printing application	**20**	830
Others	**207**	235
Total	**19,237**	19,996

The revenue from the sale of sheet metal products for machineries used for semiconductor manufacturing decreased from approximately S$10.9 million for the year ended 31 December 2017 to approximately S$10.6 million for the year ended 31 December 2018. This was offset by the increase in revenue from sale of sheet metal products for machineries used for machinery and machine tools manufacturing by approximately S$0.3 million or 3.7% from approximately S$8.1 million for the year ended 31 December 2017 to approximately S$8.4 million for the year ended 31 December 2018. The decrease in sale of products relating to printing application from approximately S$0.8 million for the year ended 31 December 2017 to approximately S$20,000 for the year ended 31 December 2018 is mainly due to the product life cycle of a product of our customer gradually declining.

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 for the relevant periods:

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Direct material costs	**3,525**	3,673
Direct labour costs	**4,014**	5,046
Subcontracting costs	**1,382**	1,451
Manufacturing overheads	**2,320**	2,045
	11,241	12,215

Our cost of sales decreased by approximately 8.0% for the year ended 31 December 2018. In term of percentage, the decrease in our cost of sales was more than that of decrease in revenue for the same periods. It was primarily due to decrease in our direct labour costs arising from better efficiency from higher usage of existing and new machineries.

Direct material costs comprises purchase costs of sheet metal, standard parts and consumables. For the two years ended 31 December 2017 and 2018, direct material costs accounted for approximately S$3.7 million and S$3.5 million, representing 30.3% and 31.3% 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 two years ended 31 December 2017 and 2018, direct labour costs accounted for approximately S$5.0 million and S$4.0 million, representing 41.0% and 35.7% 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 two years ended 31 December 2017 and 2018, subcontracting costs accounted for approximately S$1.5 million and S$1.4 million, representing 12.3% and 12.5% 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 two years ended 31 December 2017 and 2018, manufacturing overheads accounted for approximately S$2.0 million and S$2.3 million, representing 16.4% and 20.5% for the corresponding periods, respectively. The increase was mainly due to higher depreciation arising from acquisition of property, plant and equipment during the year ended 31 December 2017 and 31 December 2018.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group for the year ended 31 December 2018 amounted to approximately S$8.6 million, representing an increase of approximately 0.4% as compared with that for the year ended 31 December 2017. The Group's gross profit margin for the year ended 31 December 2018 was approximately 43.4%, as compared with approximately 41.2% for the year ended 31 December 2017. This was mainly due to cost savings from higher usage of existing and new machineries for the year ended 31 December 2018.

OTHER INCOME

The Group's other income decreased by approximately S$37,000 or 40.2% from approximately S$92,000 for the year ended 31 December 2017 to approximately S$55,000 for the year ended 31 December 2018. This is mainly due to decrease in scrap sales for the year ended 31 December 2018.

OTHER LOSSES, NET

The Group's other losses decreased by approximately S$62,000 or 62% from approximately S$100,000 for the year ended 31 December 2017 to approximately S$38,000 for the year ended 31 December 2018. This is mainly due to decrease in foreign exchange losses for the year ended 31 December 2018 as a result of appreciation of USD against SGD during the year.

Management Discussion and Analysis

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by S$3.7 million or 205.6% from approximately S$1.8 million for the year ended 31 December 2017 to approximately S$5.5 million for the year ended 31 December 2018. This is mainly due to non-recurring listing expenses of approximately S$4.2 million was incurred in the year ended 31 December 2018 in connection with the listing of the Company's shares on 16 July 2018 (the "Listing").

The increase in listing expenses was mitigated by decrease in employee benefit expenses (including directors' emoluments) by approximately S$0.4 million or 9.3% from approximately S$4.3 million for the year ended 31 December 2017 to approximately S$3.9 million for the year ended 31 December 2018.

FINANCE INCOME/(COSTS), NET

Increase in finance costs by approximately S$11,000 or 28.2% from approximately S$39,000 for the year ended 31 December 2017 to approximately S$50,000 for the year ended 31 December 2018 mainly arose from additional finance lease of machinery during the year ended 31 December 2018. The finance income for the year ended 31 December 2018 of approximately S$59,000 arose from bank deposits.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above factors, the Group recorded a profit for the year of approximately S$2.1 million for the year ended 31 December 2018 (2017: approximately S$6.1 million). If the Listing expenses of approximately S$4.2 million were excluded, the Group would have recorded a profit for the year of approximately S$6.3 million in the year ended 31 December 2018, representing an increase of approximately S$0.2 million as compared to the year ended 31 December 2017.

FINAL DIVIDEND

The Board did not recommend a payment of a final dividend in the financial year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are to satisfy our working capital and capital expenditure needs. Since our establishment, our working capital needs and capital expenditure requirements have been principally financed through a combination of shareholders' equity, cash generated from operations, trade facilities and bank loans.

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in USD, SGD and HKD, are generally deposited with certain financial institutions. The Group's borrowing and finance lease are denominated in SGD.

As at 31 December 2018, the Group's total equity attributable to owners of the Company amounted to S$ 39.7 million (2017: S$17.3 million).

Management Discussion and Analysis

The Group's net current assets was approximately S$25.8 million (2017: S$4.4 million) and the Group had cash and cash equivalents, short-term bank and pledged deposits of approximately S$25.7 million (2017: S$7.5 million). The Group had bank borrowings and finance lease obligations of approximately S$0.4 million (2017: S$3.2 million) and S$0.4 million (2017: S$ Nil) respectively.

The effective interest rates of the Group's term loans as at 31 December 2017 and 2018 are 3.9% and 4.6% respectively. The effective interest rate of 13.7% for our bank overdraft for the year ended 31 December 2017.

As at 31 December 2018, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 6.9 times (2017: 1.5 times). The Group's gearing ratio (calculated by dividing total debt by total equity as at the end of the year) was approximately 0.9% (2017: 18.3%).

Based on the existing cash and cash equivalents of and banking facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its business operations in the coming year.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the Listing. The share capital of the Company only comprises of ordinary shares.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's borrowings were secured by pledged bank deposits of approximately S$0.7 million, legal mortgage of properties of the Group with carrying amount of S$7.1 million. As at 31 December 2017, borrowings were secured by legal mortgage of a property with carrying amount of S$5.3 million and personal guarantee by Mr. Toe. The personal guarantee were released during the year ended 31 December 2018.

As at 31 December 2018, the Group recorded approximately S$0.4 million (2017: S$ Nil) of obligations under finance lease, which is secured by the lessor's charge over the leased assets with net carrying amount of approximately S$0.8 million.

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2018, there was no significant investment held by the Group (2017: Nil)

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the of the prospectus of the Company dated 29 June 2018 (the "Prospectus"), the Group did not have other future plans for material investments as at 31 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group does not have capital commitments (2017: Nil).

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed 151 full-time employees (2017: 184 employees).

Total staff costs including directors' emoluments in the year ended 31 December 2018 amounted to approximately S$3.9 million (2017: approximately S$4.3 million), salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain valuable employees, the performance of the Group's employees are annually reviewed.

The Group aspires to develop and grow with our employees and is willing to invest in both work-related training and personal development of our employees. In general, the Group provides diversified on-the-job trainings based on the needs of respective positions, talents and interests of employees. The Group provides both internal and external trainings for employees, including specialised trainings for different departments on management skills as well as soft skills. Moreover, the Group established guidelines to assess the performance of and implement development programs for its employees.

Apart from Central Provident Fund ("CPF"), Employee Provident Fund ("EPF") and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

FOREIGN EXCHANGE RISK

Majority of the Group's business operations were conducted in Singapore. The sales of the Group are denominated in United States Dollars ("USD") and Singapore Dollars ("SGD"). The purchases of the Group are denominated in SGD, USD and Malaysia Ringgit ("MYR"). The functional currency of the Group is SGD. The Group retains some proceeds from the Listing in Hong Kong Dollars ("HKD") amounting to approximately S$6.1 million. During the year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Apart from the reorganisation in relation to the Listing (as set out under the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 29 June 2018 (the "Prospectus")), there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2018. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 December 2018.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of environmental policies, performance and compliance with laws and regulations are set out in the "Environmental, Social and Governance Report" in this annual report.

Management Discussion and Analysis

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing, after deducting listing expenses (including underwriting fee), and other expenses arising from the Listing ("Net Proceeds") were approximately HK$95.2 million. The Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus. As stated in the Prospectus, our Company intended to apply the Net Proceeds for: (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.

The Net Proceeds received applied by the Group during the period from the Listing Date up to 31 December 2018 are as follows:

Use of Net Proceeds:	**Planned use of Net Proceeds** HKD' million	**Actual use of Net Proceeds from the Listing Date to 31 December 2018** HKD' million	**Unused Amount** HKD' million
Expansion in production capacity	46.8	9.2	37.6
Greater production automation	29.1	9.3	19.8
Enhancing our information technology system	9.4	0.1	9.3
Improving quality assurance capabilities (Note 1)	2.7	–	2.7
Increasing marketing efforts (Note 2)	1.2	–	1.2

Note 1: As at 31 December 2018, the Group has yet to acquire measuring equipment using the Net Proceeds as the Group is still in discussion with potential vendors in securing the most competitive pricing.

Note 2: As at 31 December 2018, the Group has yet participated in large scale marketing events as the Group is still in discussion with potential vendors regarding the best marketing exposure.

Management Discussion and Analysis

RETIREMENT BENEFIT PLAN

The Group operates a defined contribution Central Provident Fund scheme and Employees Provident Fund scheme for employees in Singapore and Malaysia respectively.

As prescribed by the Central Provident Fund Board of Singapore, the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the year ended 31 December 2018, the Group contributes up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S$6,000 per month.

As prescribed by the EPF, the Group's employees employed in Malaysia who are Malaysian are required to join the EPF scheme. For each of the years ended 31 December 2018 and 2017, the Group contributes up to 13% of the eligible employees' salaries to the EPF scheme.

The total costs charged to profit or loss, amounting to approximately S$441,000 for the year ended 31 December 2018 (2017: approximately S$430,000), represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2018, contributions of approximately S$32,000 (2017: approximately S$24,000) were due respectively but had not been paid to CPF. The amounts were paid subsequent to the end of the year.

EVENTS AFTER REPORTING PERIOD

On 6 January 2019, the Group purchase a property located in Johor Bahru, Malaysia amounting to RM4.8 million (approximately S$1.6 million).

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Toe Tiong Hock (卓仲福), aged 62, was appointed as the Director of the Company on 5 February 2018 and re-designated as chairman of the Board, executive Director and chief executive officer of the Company on 9 March 2018. He is responsible for overall management, formulation of business strategies and supervision of operations of the Group. Mr. Toe is the spouse of Ms. Wong Yet Lian and the father of Mr. Toe Wei Xian ("Mr. Kyson Toe").

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

Mr. Toe was educated to GCE Ordinary level in Singapore in 1974. Before joining the 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 the Director of the Company on 5 February 2018 and re-designated as the executive Director and chief operating officer of the Company on 9 March 2018. She is responsible for overall management, formulation of business strategies and supervision of operations of the Group. Ms. Wong is the spouse of Mr. Toe Tiong Hock and the mother of Mr. Kyson Toe.

Ms. Wong has over 25 years of experience in the metal precision components market in Singapore. She joined the Group in August 1992 as a director of Fine Sheetmetal Technologies Pte. Ltd., while she ceased to be the director of Fine Sheetmetal Technologies Pte. Ltd. in January 2013. Ms. Wong has been a director of FSM Technologies (M) Sdn. Bhd. and FSM Manufacturing Solutions (M) Sdn. Bhd..

Ms. Wong 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 the Group, she worked with Chua Secretarial & Management Pte Ltd as an accounts executive from May 1978 to August 1992.

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

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

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.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Hung Fai Myron (吳鴻揮), aged 48, was appointed as the independent non-executive Director of the Company 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 of Hong Kong Limited (the "Stock Exchange") (stock code: 0823) as an assistant general manager.

Mr. Bau Siu Fung (鮑小豐), aged 51, was appointed as the independent non-executive Director of the Company 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 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 57, was appointed as the independent non-executive Director of the Company 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 has been an executive director of Star Properties Group (Cayman Islands) Limited, a company listed on the Stock Exchange (stock code: 1560) since September 2018. Prof. Pong was 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 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.

SENIOR MANAGEMENT

Mr. Kwa Teow Huat (柯兆發), aged 56, is the chief financial officer and chief information officer. He joined the Group in December 2017 and has been the 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 the 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 form 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 the 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.

Biographies of Directors and Senior Management

Mr. Loh Soo Hwa (羅速華), aged 49, is the sales and business development head. He joined the 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 the 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 the Group, Mr. Loh had over eight years of experience in the manufacturing industry, working as a sales related position.

Mr. Toe Wei Xian (alias Zhuo Weixian) (卓維賢), aged 28, is the Singapore operations director. He joined the 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 the Group. Mr. Toe is the son of Mr. Toe Tiong Hock and Ms. Wong Yet Lian.

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 30, is the financial controller. He joined the Group in November 2017 and has been the financial controller since then. He is primarily responsible for overseeing the finance and accounting operation of the 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 the 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.

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value and accountability. The Directors recognize the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability. The Company adopted all the code provisions in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code on corporate governance practices.

Throughout the period from the date of listing of the shares of the Company on the Stock Exchange on 16 July 2018 (the "Listing Date") to 31 December 2018, the Company had complied with the code provisions in the CG Code with the exception of the code provision A.2.1. Details of such deviation is explained below.

BOARD OF DIRECTORS

The Company is governed by the Board which is responsible for the overall management, formulation of business strategies and supervision of operations of the Group, overseeing the production and operation in Malaysia of the Group and providing independent advice as well as monitoring the internal control and risk management systems and evaluating the financial performance of the Group. The Board sets the overall strategy and directions for the Group with a view to developing its business and enhancing the shareholder value.

The Board meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group. The Board has delegated certain duties and authorities to the management for overseeing the finance and accounting operation and the information technology systems of the Group, the sales operation of the Group and building relationships with customers, the production and operation in Singapore of the Group and the finance and accounting operation of the Group.

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements and etc. The Board held meetings from time to time whenever necessary. During the year, the Board reviewed the compliance with the CG Code and the effectiveness of the internal control and risk management systems of the Group.

The Board currently comprises three executive Directors, namely Mr. Toe Tiong Hock (chairman and chief executive officer ("CEO")), Ms. Wong Yet Lian and Ms. Lim Siew Choo and three independent non-executive Directors (the "INED"), namely Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung. Mr. Toe Tiong Hock is the spouse of Ms. Wong Yet Lian and the father of Mr. Toe Wei Xian Kyson.

As the Company was listed on the Listing Date, no nomination committee meeting and general meeting was held during the year ended 31 December 2018. The attendance records of the Directors for the regular board meeting, the remuneration committee meeting and the audit committee meeting of the Company for the year are as follows:

	No. of meetings attended/No. of meetings held		
	Board	**Audit Committee**	**Remuneration Committee**
Directors			
Executive Director			
Mr. Toe Tiong Hock *(chairman and CEO)*	1/1	N/A	N/A
Ms. Wong Yet Lian	1/1	N/A	1/1
Ms. Lim Siew Choo	1/1	N/A	N/A
Independent Non-Executive Director			
Mr. Ng Hung Fai Myron	1/1	1/1	N/A
Mr. Bau Siu Fung	1/1	1/1	1/1
Prof. Pong Kam Keung	1/1	1/1	1/1

The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

During the year, trainings have been attended by all Directors, Mr. Toe Tiong Hock, Ms. Wong Yet Lian. Ms. Lim Siew Choo, Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung, covering a wide range of topics including duties and responsibilities of the directors, management and corporate governance, disclosure obligations, disclosure of interests, notifiable transactions, connected transactions, directors' dealings in shares, insider dealing and market misconduct, disclosure of financial information and The Codes on Takeovers and Mergers and Share Buy-backs.

In compliance with the Listing Rules, the Company appointed INEDs with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The INEDs, together with the executive Director, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the INEDs and believes that their independence is in compliance with the Listing Rules.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The term of appointment pursuant to the letters of appointment of Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung is for a period of three years till July 2021 subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the amended and restated articles of association ("Articles of Association") of the Company.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The role of chairman and CEO of the Company are currently performed by Mr. Toe Tiong Hock. In view of Mr. Toe Tiong Hock's substantial contribution to the Group for over 30 years and his extensive experience in the metal precision components market, the Company considers that having Mr. Toe Tiong Hock acting as both the chairman and CEO of the Company provides strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies of the Group. The Board considers it appropriate and beneficial to the business development and prospects of the Group that Mr. Toe Tiong Hock continues to act as both the chairman and chief executive after the listing of the Company on the Stock Exchange, and therefore currently do not propose to separate the functions of chairman and CEO.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors and by relevant employees of the Company. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding directors' securities transactions throughout the period from the Listing Date to the date of this report.

REMUNERATION COMMITTEE

The Company established a remuneration committee in June 2018 with written terms of reference in compliance with the CG Code of the Listing Rules. The remuneration committee comprises one executive Director, namely Ms. Wong Yet Lian, and two INEDs, namely Mr. Bau Siu Fung and Prof. Pong Kam Keung. The committee is chaired by Prof. Pong Kam Keung.

The primary duties of the remuneration committee are making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration; approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and ensuring significant portion of executive Directors' remuneration linked rewards to corporate and individual performance. The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. The remuneration committee adopted the model under the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

During the year, the remuneration committee reviewed and approved the interim report and the announcement of the Company regarding remuneration of the Directors.

Details of emoluments of the Directors for the year are disclosed in note 33 to the financial statements and the retirement benefit schemes are disclosed on page 13 in this annual report.

NOMINATION COMMITTEE

The Company established a nomination committee in June 2018 with written terms of reference in compliance with the CG Code of the Listing Rules. The nomination committee comprises one executive Director, namely Mr. Toe Tiong Hock, and two INEDs, namely Prof. Pong Kam Keung and Mr. Ng Hung Fai Myron. The committee is chaired by Mr. Toe Tiong Hock.

The primary duties of the nomination committee are reviewing the structure, size and composition of the Board, developing procedures for the sourcing and selection of members of the Board, identifying individuals suitably qualified to become Board members and making recommendation to the Board on the appointment or re-appointment of Directors.

The nomination committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as Directors at general meetings or appointment as Directors to fill casual vacancies. The factors would be used as reference by the nomination committee in assessing the suitability of a proposed candidate including character and integrity, qualifications including professional qualifications, skills, knowledge and experience, the board diversity policy of the Company and other perspectives appropriate to the Company's business.

Each of executive Director and INED entered into service agreement and letter of appointment respectively for their appointment with the Company for a term of three years commencing from July 2018 and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

According to Article 84(1)–(2) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, 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 (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

According to Article 83(3) of the Articles of Association, any Director appointed by the Board 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 by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

As the Company was listed on the Listing Date, no nomination committee meeting was held during the year ended 31 December 2018. A nomination committee meeting of the Company was held on 15 March 2019 to make recommendation to the Board on the re-election of Directors on the coming annual general meeting of the Company and assess the independence of INEDs.

AUDIT COMMITTEE

The Company established an audit committee in June 2018 with written terms of reference in compliance with the CG Code of the Listing Rules. The audit committee comprises three INEDs, namely Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung. The committee is chaired by Mr. Bau Siu Fung.

The primary duties of the audit committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditor; approve the terms of engagement of the external auditor; review the effectiveness of the audit process; discuss with the external auditor the nature and scope of the audit and reporting obligations; and review the financial statements and reports of the Company, the Group's financial and accounting policies and practices and the Company's risk management and internal control systems.

During the year, the audit committee of the Company reviewed the Group's unaudited interim results for the six months ended 30 June 2018 and discussed with the management on the accounting principles and practices and financial reporting process.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR AND THEIR REMUNERATION

The statements of the auditor of the Company about their reporting responsibilities on the Group's financial statements for the year ended 31 December 2018 is set out in the section "Independent Auditor's Report" of this report. During the year, remuneration paid and payable to the auditor of the Group are approximately S$275,000 for annual audit fee, approximately S$876,000 for audit and non-audit fee in connection with the listing of the Company and approximately S$7,000 for non-audit services.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Policy") which sets out the approach to achieve diversity on the Company's board of directors. The Company acknowledges the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company believes that board diversity enhances decision-making capability and a diverse board is more effective in dealing with organisational changes and less likely to suffer from group thinking. Board diversity is recognised as an essential element contributing to the sustainable development of the Company by enabling it to attract, retain and motivate employees from the widest possible pool of available talent. The Company continuously seeks to enhance the quality and effectiveness of the board by maintaining the highest standards of corporate governance and recognising and embracing the benefits of diversity in the boardroom.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including gender, age, cultural and educational background or professional experience, skills, regional and industry experience, background, race, and other qualities etc. Board appointments will be based on meritocracy and contribution that the candidates will bring to the Board. Candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The nomination committee of the Company will report on the Board's composition under diversified perspectives, monitor the implementation of the Policy, review the Policy on a regular basis to ensure its effectiveness. In forming the perspective on diversity of the Company, the Company will also take into account factors based on its own business model and specific needs from time to time.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems of the Group and reviewing their effectives annually in order to safeguard the interests of the shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations. The main features and the key elements of the risk management and internal control systems of the Company include the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness. An ongoing risk assessment approach has been adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk. During the process of risk assessment, the audit committee of the Company is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities. The identified risk together with the risk response will be recorded and subject to the Board's oversight.

An outsourced internal audit team was engaged to perform a review on the major operating units of the Group in relation to the risk management and internal control systems of the Group during the first quarter of 2019, according to the scope of review agreed and directed by the audit committee of the Company covering the Group's material controls in financial, operational and compliance aspects. The review identified certain internal control weaknesses and risks. The internal audit team has reported to the audit committee of the Company.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The procedures and internal controls of the Company for handling and dissemination of inside information includes conducting the affairs of the Company with close regard to the Guidelines on Disclosure of Inside Information published by Securities and Futures Commission and the Listing Rules and reminding the Directors and employees of the Group regularly about due compliance with all polices regarding the inside information.

During the year, risk management and internal control systems have been reviewed by an engaged external professional adviser with the management of the Company and the Board had reviewed the effectiveness of the Group's risk management and internal control systems and considered the Group's risk management and internal control systems are effective and adequate.

The Company has an internal audit function performed by an engaged external professional adviser which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the audit committee of the Company on, at least, an annual basis.

COMPANY SECRETARY

The Company engages Ms. Cheng Florence Ga Sui, who has been working with BPO Global Services Limited, as its company secretary. Its primary corporate contact person at the Company is Mr. Kwa Teow Huat, the chief financial officer of the Company.

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association of the Company, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner.

Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph. The written requisition should be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, specifying the shareholders' contact details and the resolution intended to be put forward at general meeting.

For including a resolution to propose a person for election as a Director at general meeting, shareholders are requested to follow the Articles of Association of the Company. A written notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting of the Company appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as a Director are posted on the Company's website.

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the chief information officer of the Company at the Company's principal place of business in Singapore at 12 Tuas Link 1, Singapore, 638595.

INVESTOR RELATIONS

The aim of the shareholders' communication is to set out the provisions with the objective of providing the shareholders of the Company with information about the Company and enabling them to engage actively with the Company and exercise their rights as the shareholders of the Company in an informed manner.

Effective and timely dissemination of information to the shareholders of the Company should be ensured at all times. Information should be communicated to the shareholders of the Company by making available all the corporate communication documents including annual report, interim report, announcements, circulars and notices of meetings are published on the Company's website (www.fsmtech.com).

The amended and restated memorandum and articles of association of the Company was adopted on 22 June 2018 and took effect from the Listing Date. There had been no significant change in the Company's constitutional documents since the Listing Date.

Report of the Directors

The Board is pleased to present his report together with the audited consolidated financial statement of the Group for the year ended 31 December 2018.

The Company was incorporated in the Cayman Islands with limited liability on 5 February 2018. The Company completed the corporate reorganisation (the "Reorganisation") on 22 June 2018 in preparation for the Listing pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 16 July 2018 by way of share offer.

PRINCIPAL PLACE OF BUSINESS

The headquarters and principal place of business of the Company is located at 12 Tuas Link 1, Singapore 638595.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its operating subsidiaries are sheet metal fabrication with a focus on precision engineering, precision machining service and provision of post-treatment processes. The principal activities of the subsidiaries of the Group are set out in note 15 to the Financial Statements. There were no significant change in the group's principal activities during the year ended 31 December 2018.

RESULTS/BUSINESS REVIEW

The results of the Group for the year ended 31 December 2018 and financial position of the Group as at that date are set out in the section headed "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Financial Position" on pages 57 and 59 to 60 respectively in this annual report.

A review of the Group's business for the year ended 31 December 2018, which includes a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators of the Group's business, particulars of important events affecting the Group, an indication of likely future developments in the Group's business, and discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. The review forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2018, as far as the Directors are aware, the Company did not have any non-compliance with relevant laws and regulations that is material or systemic in nature.

DONATIONS

Charitable and other donations made by the Group during the Year amounted to approximately S$49,000.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF ATTENDING AND VOTING AT THE ANNUAL GENERAL MEETING OF THE COMPANY (THE "AGM")

For the purpose of determining the rights to attend and vote at the AGM, the register of members of the Company will be closed from 21, May 2019 to 24, May 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the AGM, unregistered holders of the shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 20, May 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 16 to the Financial Statements.

ADDITIONAL INFORMATION TO THE PROPERTY INTEREST

By comparing the valuation of Group's property interests of S$12.0 million as of 30 April 2018 as set out in the Property Valuation Report as set out in Appendix III to the Prospectus, and the carrying amount of these properties interests of approximately S$8.0 million as of 31 December 2018, the Group would carry a valuation surplus of approximately $4.0 million. The valuation surplus of the property interests had not been incorporated in the Group's consolidated financial statements for the Financial Year. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of S$0.1 million would have been recognised in the consolidated statement of profit and loss and other comprehensive income for the Financial Year.

SUBSIDIARIES

Particulars of the Company's subsidiaries during the year ended 31 December 2018 are set out in note 15 to the Financial Statements.

KEY RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis" of this annual report.

SHARE CAPITAL

The Company's total issued share capital as at 31 December 2018 was 1,000,000,000 ordinary shares with par value of HK$0.01 per share.

Details of the share capital of the Company are set out in note 22 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2018 are set out in the "Consolidated Statement of Changes in Equity" on page 61 of this annual report.

As at 31 December 2018, the Company has reserves amounting to approximately S$59.2 million available for distribution.

Report of the Directors

FINANCIAL INFORMATION SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on pages 109 to 110 of the annual report.

BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES

Details of the bank borrowings and obligations under finance leases of the Group as at 31 December 2018 are set out in notes 25 and 26 of the Financial Statements.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive directors:

Mr. Toe Tiong Hock (appointed on 5 February 2018)
Ms. Wong Yet Lian (appointed on 5 February 2018)
Ms. Lim Siew Choo (appointed on 5 February 2018)

Independent non-executive Directors:

Mr. Ng Hung Fai Myron (appointed on 22 June 2018)
Mr. Bau Siu Fung (appointed on 22 June 2018)
Prof. Pong Kam Keung (appointed on 22 June 2018)

In accordance with Articles 83 to 85 of the Company's amended and restated articles of association, all the Directors will retire by rotation and, being eligible, will offer themselves for election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 14 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into an letter of appointment with the Company for a term of one year commencing from the Listing Date, unless terminated by not less than one month's notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the AGM, has a service agreement or letter of appointment with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares of HK$0.01 each of the Company ("Shares")

Name of director	Nature of interest	Number of Shares held	Percentage of issued share capital
Mr. Toe Tiong Hock ("Mr. Toe") (Note)	Interest in controlled corporation	375,000,000	37.5%
	Interest of spouse	375,000,000	37.5%
Ms. Wong Yet Lian ("Ms. Wong") (Note)	Interest of controlled corporation	375,000,000	37.5%
	Interest of spouse	375,000,000	37.5%

Note: Mr. Toe is the spouse of Ms. Wong. 375,000,000 Shares are held by each of KAL SG Limited ("KAL SG") and KYL SG Limited ("KYL SG"). KAL SG and KYL SG are wholly owned by Mr. Toe and Ms. Wong, respectively, each of Mr. Toe and Ms. Wong 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, as at 31 December 2018, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, the following persons had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

Name of shareholder	Nature of interest	Number of Shares held	Percentage of issued share capital
KAL SG (Note)	Beneficial owner	375,000,000	37.5%
KYL SG (Note)	Beneficial owner	375,000,000	37.5%
Mr. Toe (Note)	Interest in controlled corporation	375,000,000	37.5%
	Interest of spouse	375,000,000	37.5%
Ms. Wong (Note)	Interest in controlled corporation	375,000,000	37.5%
	Interest of spouse	375,000,000	37.5%

Note: Mr. Toe is the spouse of Ms. Wong. 375,000,000 Shares are held by each of KAL SG and KYL SG. KAL SG and KYL SG are wholly owned by Mr. Toe and Ms. Wong, respectively, each of Mr. Toe and Ms. Wong 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, as at 31 December 2018, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period from the Listing Date and up to the date of this annual report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or anybody corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Apart from the contracts relating to the Reorganisation of the Group in relation to the Listing and save for the related party transactions disclosed in note 30 to the Financial Statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, or its holding company was a party and in which a Director or an entity connected with a Director had a material interests directly or indirectly subsisted at the end of the year or at any time during the year ended 31 December 2018.

Report of the Directors

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

CONNECTED/RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Details of the significant related party transactions undertaken in the normal course of business are set out in the note 30 to the Financial Statements. None of the related party transactions as disclosed constituted disclosable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules and the Company had complied with the relevant requirements of Chapter 14A of the Listing Rules during the year ended 31 December 2018.

NON-COMPETITION UNDERTAKING

Mr Toe Tiong Hock, Ms Wong Yet Lian, Ms Lim Siew Choo, KAL SG Limited and KYL SG Limited (collectively, the "Covenantors") entered into a deed of non-competition dated 15 March 2018 in favour of the Company (for itself and as trustee for other members of our Group) under the "Deed of Non-Competition". Pursuant to the Deed of Non-Competition, each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for other members of our Group), among others, that, during the period which (i) the Shares remain listed on the Stock Exchange and (ii) the Covenantors, individually or collectively with their close associates (other than members of the Group) are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Covenantors, each of the Covenantors shall not, and shall procure each of his/its close associates (other than our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time.

Each of the Covenantors further undertakes that if any business investment or other commercial opportunity which may compete with the business of the Group is identified by or offered to him/it, he/it shall procure that his/its close associates to promptly notify the Group in writing not later than seven days from the date of offer and the Group shall have a right of first refusal of such opportunity. The Group shall within 30 business days after the receipt of the written notice (or such longer period, a maximum of 60 business days if the Group is required further time to assess and complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantors whether the Group will exercise the right of refusal.

The Company has received a written confirmation from the Covenantors in respect of the compliance with and the enforcement of the terms of the Deed of Non-Competition by the Covenantors during the year ended 31 December 2018.

NON-COMPETITION UNDERTAKING

All independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition entered into by the controlling shareholders of the Company as to whether the Covenantors had abided by the Deed of Non-Competition. All independent non-executive Directors also confirmed that the Covenantors had not been in breach of the Deed of Non-Competition during the year ended 31 December 2018.

COMPETING INTEREST

The controlling shareholders, the Directors and their respective close associates confirm that each of them does not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules during the year ended 31 December 2018.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Sunfund Capital Limited ("Sunfund"), as at 31 December 2018, except for the compliance adviser agreement entered into between the Company and Sunfund dated 26 February 2018, none of Sunfund, its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 15 March 2018 (the "Scheme") and shall be valid until 15 March 2028. Pursuant to the Scheme, certain eligible participants including, among others, the Directors and employees of the Group may be granted options to subscribe for Shares. The purpose of the Scheme is to provide incentives or rewards to employees for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources. A summary of the principal terms of the share option scheme is set out in the paragraph headed "D. Share Option Scheme" in Appendix V to the Prospectus. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2018.

The maximum number of shares which can be awarded under the Share Option Scheme is 10% (i.e. 1000,000,000 Shares) of the Shares in issue as at the Listing Date. Upon acceptance of an offer for grant of option(s) under the Share Option Scheme, the participant shall pay HK$1.00 to our Company by way of consideration for the grant, which option(s) will be offered for acceptance for a period of 21 days from the date of grant.

Unless approved by Shareholders in a general meeting, the amount of Shares which can be awarded to a substantial Shareholder or an independent non-executive Director or their respective associates in the Scheme in the 12-month period up to and including the date of such grant for any particular aforementioned person in aggregate, is at maximum 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, of a maximum of HK$5.0 million.

The subscription price for the Shares subject to any particular option under the Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the relevant option; and (iii) the nominal value of a Share.

EQUITY-LINKED AGREEMENTS

Except for the Scheme disclosed above, no equity-linked agreement was entered into during the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 7.4% and 30.2% (2017: approximately 11.9% and 40.6%) respectively of the Group's total purchases. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 46.7% and 99.0% (2017: approximately 48.7% and 98.9%) respectively of the Group's total revenue for the year ended 31 December 2018.

To the best of the Directors' knowledge, none of the Directors and none of the Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) and none of their respective close associates had any material beneficial interest in the Group's five largest customers or suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group has maintained good relationship with our employees. The Group offers to our employees salary, bonuses and other allowances. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Customers

The Group has established stable business relationships with our major customers. Directors consider that our long-term business relationships with our major customers and suppliers would further enhance our market recognition and enable us to attract more potential business opportunities.

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 result, we are one of the key suppliers of each of our major customers.

Suppliers and subcontractors

The Group's suppliers primarily include suppliers of material and subcontractors. The Group maintains an internal list of approved suppliers. We carefully evaluate the performance of our suppliers and select them based on a number of factors such as pricing, quality of material or equipment provided, timeliness of delivery and ability to comply with our requirements and specifications. The Group will review and update our internal list of approved suppliers according to our assessment of their performance on an ongoing basis.

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. 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.

The Group maintains an internal list of approved subcontractors. We carefully evaluate the performance of our subcontractors and select subcontractors based on their product, service quality and fee quotations. The Group will review and update our internal approved list of subcontractors, 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.

RETIREMENT SCHEME

The Group participates in the Central Provident Fund scheme ("CPF scheme") and the Employees Provident Fund scheme ("EPF scheme"), which are defined contribution pension schemes in Singapore and Malaysia respectively.

The CPF scheme is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement. The EPF scheme is a national pension scheme that requires employees in Malaysia, who are Malaysian to contribute up to 13.0% of the eligible employees' salaries to the EPF scheme. Save as aforesaid, the Group did not participate in any other pension schemes during the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient minimum public float under the Listing Rules since the Listing Date up to the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group during the year ended 31 December 2018 are set out in note 10 and 33 to the Financial Statements.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 18 to 24 in this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Board, in declaring or recommending a payment of dividends, to allow shareholders of the Company (the "Shareholders") to participate in the Company's profits.

The Company in general meeting may from time to time declare dividends in any currency to be paid to Shareholders. The Board may from time to time pay to Shareholders such interim dividends as appear to be justified by the profits of the Company. The declaration of or recommendation of declaration of dividends is subject to the absolute discretion of the Board.

In deciding whether to recommend the payment of dividend to Shareholders, the Board will take into account factors including general business conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company, the financial condition and results of operations of the Group, the expected capital requirements and future expansion plans of the Group, future prospects of the Group, statutory and regulatory restrictions, contractual restrictions on the payment of dividends by the Group to the Shareholders or by the subsidiaries of the Company to the Company, and taxation considerations. The payment of dividend is also subject to applicable laws and regulations and the Company's constitutional documents. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

FINAL DIVIDEND

The Board has not declared or paid dividends during the year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the Financial Statements.

AUDITORS

The Financial Statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the AGM. There has been no change in auditors since the Listing Date.

EVENT AFTER REPORTING PERIOD

On 6 January 2019, the Group purchased property located in Johor Bahru, Malaysia amounting to RM4.8 million (approximately S$1.6 million).

Report of the Directors

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the year.

On behalf of the Board,

Mr. Toe Tiong Hock
Executive Director and Chairman
15 March 2019

Environmental, Social and Governance Report

ABOUT THE REPORT

The Board of Directors acknowledges its responsibility for ensuring the integrity of the sustainability report. To the best of its knowledge, this report addresses all relevant material issues and fairly presents the ESG performance of the Company. The Board of Directors confirms that it has reviewed and approved the report.

Reporting Scope

This is the first Environmental, Social and Governance ("ESG") report of FSM Holdings Limited ("FSM" or the "Group"), aiming to present our performance on environmental and social aspects during the fiscal year ending 31 December 2018 ("the reporting period").

Reporting Boundary and Framework

This report has been prepared in compliance with ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX"). The boundary of this report encompasses five major subsidiaries of the Group, of which three are located in Singapore and two in Malaysia. The quantitative environmental data covers operation in Singapore only. We will expand our data boundary to Malaysia once we have optimized the data collection approach.

Ways to Reach Us

We interact with our stakeholders, take into consideration their interests and respond to their concerns. If you would like to provide feedback, please contact us at:

FINE SHEETMETAL TECHNOLOGIES PTE LTD

Address: 12 Tuas Link 1, Singapore 638595
Phone: +65 6863 6663
Fax: +65 6863 6662
Email: contact@fsmtech.com

How to obtain this Report

This report is published in English and Chinese. In case of any conflicts between the two versions, the English version shall prevail. PDF version is available on HKEX's website and on our website: fsmtech.com

Environmental, Social and Governance Report

CEO MESSAGE

Dear stakeholders,

2018 was a significant year for FSM as the Company was listed on the Hong Kong Stock Exchange. This is an important step we took to realize our business strategy, and with it comes with the duty to disclose our performance on environmental and social aspects. While measuring and managing Environmental, Social and Governance performance is not new to us, we understand that there is room to optimise on this front, and are therefore determined to improve our levels of disclosure as well as putting more efforts into ESG-related initiatives.

FSM attaches great importance to its responsibility for mitigating environmental impact. We have adopted an ISO standard environmental management system to minimise pollution resulting from our operations. We have also set an annual reduction target of 10% to drive resources conservation from within.

High-quality products is the key to our operational success. Our quality management system has been ISO 9001-certified for decades. Under the system, our Quality Control Team conducts quality control testing at various stages throughout our production process to ensure quality production and delivery. By engaging with our customers from stages of designing, manufacturing, testing and assembling, as well as the provision of after-sales technical support, we are committed to improve our customer satisfaction.

We see our strong talent pool as one of our competitive strengths. To acquire and retain talent, we make sure we have provided and maintained a fair and diverse workplace, pursuant to all the relevant labour regulations applicable in Singapore and Malaysia. We have also implemented measures to provide our employees a safe and healthy workplace, ensuring that they are not exposed to hazards at the workplace.

Our sustainability commitment is to drive positive change in our operations and create shared values with our stakeholders. Looking forward, FSM is committed to strengthen its levels of disclosure on ESG by engaging with stakeholders, including investors, employees, customers, business partners, regulators, etc. I would like to take this opportunity thank you all for your continuous support.

15 March 2019
FSM Holdings Limited
Toe Tiong Hock
Executive Director & CEO

STAKEHOLDERS ENGAGEMENT

Stakeholder Engagement is essential for the Group to understand their concerns and this helps us identify risks and opportunities with regard to sustainability.

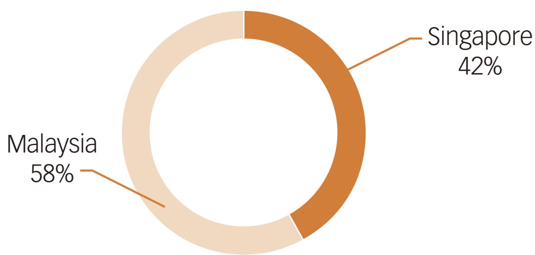
The table below shows our engagement channels with stakeholders and the issues that stakeholders are concerned about.

Stakeholders	Issues	Engagement Channels
Customers	• Customer satisfaction • Data privacy	• Company website • Feedback by phone • Formal process for handling complaints
Employees	• Training and development • Remuneration • Occupational Health and Safety	• Staff meetings • Annual appraisals
Community	• Environmental protection • Contribution to the community	• Compliance with applicable laws and regulations • Support charity organizations
Suppliers	• Third party risk management	• Website for prospective suppliers • Responses to supplier inquiries
Government	• Legitimacy of service and business ethics • Employee protection • Tax compliance	• Compliance with applicable laws and regulations
Investors and shareholders	• Corporate governance • Business operations • Information disclosure	• Annual reports and interim reports • Press releases

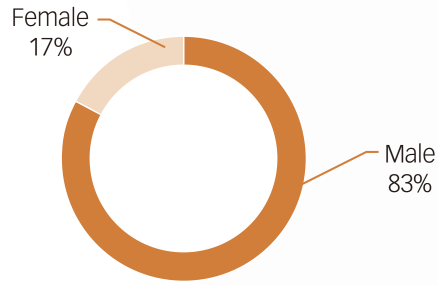
OUR PEOPLE

We assess the available manpower on a continuous basis and determine the additional personnel needed to cope with our business growth. As at the end of 2018, we had 151 full-time employees who were directly employed by us, with 64 in Singapore and 87 in Malaysia. The proportion of male and female employees is 83% and 17% respectively. Among all our employees, almost 44% and 49% are aged below 31 years and between 31 and 50 years respectively. In terms of education profile, approximately 6% of the employees are with bachelor's degree or above.

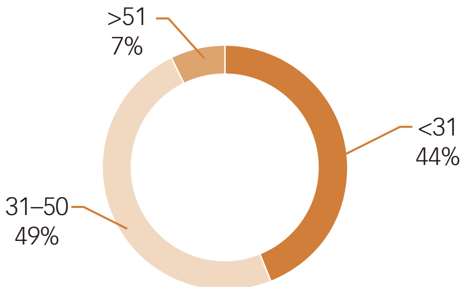
Employee Profile
by Geographical Region



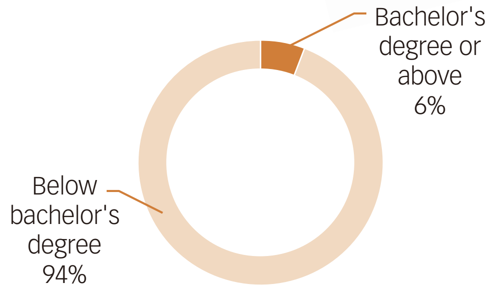
Employee Profile
by Gender



Employee Profile
by Age

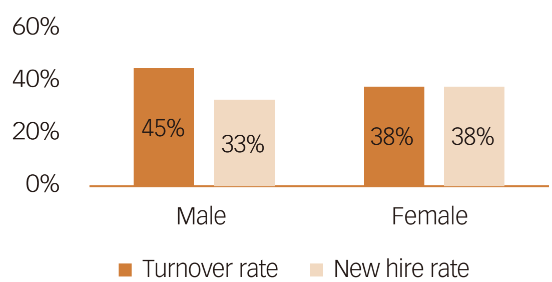


Employee Profile
by Education Profile



In 2018, the overall employee turnover rate and new hire rate at FSM was 44% and 34% respectively. The distribution of turnover and new hire rates by gender are depicted in the adjoining chart.

Turnover and New Hire Rates
by Gender



Environmental, Social and Governance Report

Health and Safety

Employees' health and safety is always our top priority. We believe that a sound occupational health and safety ("OHS") management system is important in managing OHS risks and protecting employees. The Group has established an internal Workplace Safety and Health Policy, under which the target is achieving zero workplace injury and accidents, by using all available resources. We have also established a Safety Committee comprising members from all departments to oversee all safety and health issues through regular meetings, ensuring the health and safety of all our employees.

All our operations comply with the relevant laws and regulations relating to workplace safety and health, including the Workplace Safety and Health Act, Work Injury Compensation Act and Radiation Protection Act in Singapore, and Occupational Safety and Health Act ("OSHA") in Malaysia. The Group's lifting equipment is certified to comply in all respects with requirements pertaining to lifting equipment as stipulated in the Workplace Safety and Health (General Provisions) Regulations and is safe for use. We are also certified with bisSAFE Level 3 by The Workplace Safety and Health Council which recognizes our efforts in maintaining OHS standards.

Workplace Safety

We have established Safety Rules for the Machining Department. Factory staff must keep the operations zones clear of obstacles and ensure the machine spindle has stopped before doing parts inspection. We also provide our factory staff with personal protective equipment such as goggles, gloves, safety shoes and uniforms. They are required to wear appropriate protective equipment as stated in the Safety Rules when performing tasks. There was no reported case regarding work-related fatalities or occupational illness during the reporting period.

To prevent fire and other emergencies such as HAZMAT, the Group has developed guidelines for Emergency Plan for Fire and the Emergency Response Plan, which detail the measures and actions to be taken in the event of any fire and other emergencies, aiming to minimize injury to personnel in the workplace. During the reporting period, the Emergency Response Team conducted a fire evacuation drill with involvement of all employees. This was to make sure that all our employees are familiar with the operation of the fire alarm system, the use of fire-fighting equipment and the routes and exits for evacuation.

Safety Training

To protect employees from safety hazards, only staff who have undergone necessary training are permitted to operate machines. During the year, we have provided forklift training and machine operation training through external agencies. On top of adhering to Singapore's Employment of Foreign Manpower Act, we ensure that all our foreign workers have undergone required safety courses and that their certificates are valid.

During the reporting period, the Group was not aware of any violation of relevant law and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Training and Development

The Group is committed to ensuring that all its employees have access to appropriate training and development opportunities. In this regard, we have established a training and development policy applicable to all employees, implemented and monitored by the Human Resources Department.

Training for New Hires

All new employees undergo an Orientation Program jointly conducted by the Human Resources Department, job supervisor and department head, aiming to provide new employees a better understanding of the Group's policies, job responsibilities, health and safety requirements, etc.

On-the-job Training
The Group provides on-the-job training to improve technical competence and work efficiency. The training approaches include mentoring, coaching, job rotation, instructor-led courses, conferences and seminars.

During performance reviews, employees work with their department heads to identify training needs. They can also highlight training needs to their department heads or apply to attend further education when they see a need. The Human Resources Department coordinates all training requirements together with the department heads and provide funding to cover the training expenses. During the year, the Group provided training in bending operations, covering criteria in materials handling, inspection, preventive machine maintenance, etc.

Appraisal and Promotion
To realize the full potential of our employees and enable them to carry out their roles effectively, we offer adequate promotion and talent development opportunities to our employees. The performances of employees are reviewed annually by the respective Division Heads for the purpose of promotion appraisals. The annual appraisal takes account of various factors such as achievements, attendance and punctuality, teamwork, improvement and potential of the employee. During the process, the manager develops career advancement plans which suggest suitable training that can enhance the promotion opportunity of the evaluated staff.

Employee Communication

The Group has been maintaining an amicable relationship with its employees. We listen to employees' concerns and protect their rights to communicate grievances. We have not experienced any incident of work stoppage which significantly affected our business operations due to employee dissatisfaction.

Employees' Rights and Welfare

FSM strictly complies with all relevant labour laws and regulations including the Employment Act, Employment of Foreign Manpower Act and Central Provident Fund Act in Singapore, and Employment Act, Employees Provident Fund Act and Employees' Social Security Act in Malaysia. There were no significant fines and no non-monetary sanctions for non-compliance with labour laws and regulations during the year.

Benefits and Welfare
FSM provides attractive remuneration packages and welfare benefits to its employees in accordance with its Remuneration Policy and Employee Handbook, including salary, overtime compensation, rest days, leave benefits and medical and dental benefits. We determine employee salaries based on each employee's qualifications, experience and suitability. We keep our remuneration package competitive to attract and retain suitable and talented personnel.

Recruitment
The Group has clear guidelines for its recruitment and employment process. We generally recruit employees from the open market to ensure equal employment opportunity. Employees appointed are given a copy of an appointment letter or employment contract on or before commencement of work, listing the terms and conditions agreed by the employee and the Group to safeguard the interests of both parties. The Group has also prepared an Employee Handbook establishing the policies, benefits and working conditions that are to be followed by all employees, to assure that all labour policies and practices are interpreted fairly and consistently by the Group. The Group's Executive Leadership Team (ELT) is responsible for making or approving policies or decisions.

During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Labor standards and Equality

The Group strives to provide a diverse and fair working environment to its employees. We prohibit discrimination on grounds of race, gender, age or religion. We are also committed to protecting human rights and labour rights, eliminating any forms of forced labour and banning the employment of child or forced labour.

During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to preventing child or forced labour.

OPERATIONAL EXCELLENCE

We manage our operating practices to ensure responsible product manufacturing and delivery throughout the production process, aiming to build long term trust with our customers and suppliers and achieve operational excellence.

Technological Advancement

5-axis milling machine

Robotic welding machine

Laser welding machine

Coordicate machine

Aiming to further strengthen our position as an established sheet metal fabricator and precision machining service provider in Singapore, the Group believes that adopting new and advanced technologies is the key to remain competitive and differentiate from our competitors.

We have continuously acquired advanced machinery to improve the overall production capability, automation and accuracy. Most of our machinery is highly flexible and therefore we are capable of offering our customers products and services tailored to their specific needs.

Supply Chain Management

We strive to maintain a mutually beneficial partnership with our suppliers. Our suppliers primarily include suppliers of materials and subcontractors who perform some of the post-treatment processes in our business operations.

Our Quality Procedures are designed to ensure proper selection of suppliers, clear and accurate purchasing data, and verification of purchased materials. We generally select suppliers and subcontractors from our approved list of suppliers with reference to their product or service quality. Internal assessments are conducted to shortlist and approve suppliers based on factors including quality of products or services, skills, delivery time and reputation.

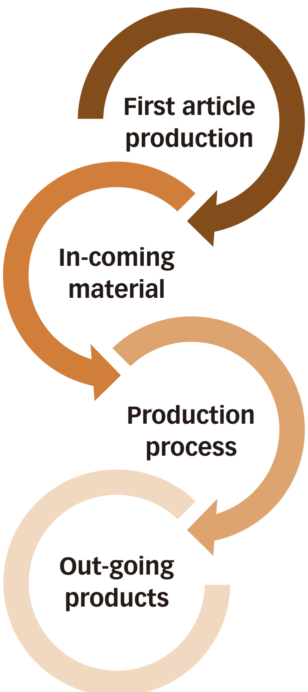
To ensure quality of procured materials and outsourced parts, all procured materials and parts produced by subcontractors undergo physical and visual quality checks by the Quality Control Department before they are released to the final assembly process. If substandard materials are identified, they are returned to the supplier for replacement.

The performance of our suppliers is reviewed monthly by our Group's representative. We also verify product quality at source as and when necessary. If a supplier fails to meet expectations and improve within the next two months, we determine the need to remove such suppliers from our Approved Vendors List.

Quality Assurance

Due to the complexity and precision required in our products, the Group believes that consistent quality production is critical to its success. As such, we have established a Quality Procedure and a Quality Control Team to implement effective controls to provide quality products and services to our customers. Fine Sheetmetal Technologies is accredited with ISO 9001.

A Quality Management System is also established, which is designed to comply with requirements of ISO 9001. Under the system, the Quality Control Team conducts quality control testing at various stages throughout our production process to ensure quality production and delivery.



First article production

- Conduct comprehensive quality inspection
- Any defects are noted as a non-conformance in the non-conformance report

In-coming material

- Review the list of suppliers from time to time based on the quality of their products and services
- Conduct physical and visual inspection of materials and outsourced parts
- Return substandard materials for replacement

Production process

- Ensure strict compliance with standard operating procedures
- Conduct quality control testing at each key production stage to ensure conformity with customer specifications

Out-going products

- Conduct sample testing to ensure the products comply with our quality standards

During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Intellectual Property Protection

Safeguarding the Group's interests, we protect intellectual properties through our internal policies and non-disclosure covenants with our customers and employees. Our Quality Procedure outlines the procedures that need to be followed under the intellectual property system of the Group, and the management representative is responsible to ensure that controls on intellectual property rights are effectively implemented within the Group.

All suppliers and new employees are required to complete the Non-disclosure agreement for the purpose of intellectual property protection. We also provide annual intellectual property control training to all our employees, which is given by managers or authorized personnel appointed by the Group. During the reporting period, the Group was not involved in any litigation relating to infringement of any intellectual property rights in respect of our products.

Environmental, Social and Governance Report

Data Privacy

Employees may receive or handle confidential information in the course of work, which includes information protected under the Personal Data Protection Act (PDPA) in Singapore, standard operating procedures, new projects, etc. To ensure data safety, all employees are obliged to respect and maintain information confidentiality by signing a "Pledge of Confidentiality" and comply with the Personal Data Protection Policy.

Committed to protecting employees' privacy in accordance with PDPA, the Group has established a Data Protection Policy for Employees, which aims to safeguard employees' personal data from unauthorized access. We have introduced appropriate measures such as up-to-date antivirus protection, encryption and the use of privacy filters to secure all storage and transmission of personal data. We only disclose personal data internally or to our authorized third parties on a need-to-know basis. A Data Protection Officer is assigned to receive and handle inquiries regarding our personal data protection policies and procedures.

Customer Experience

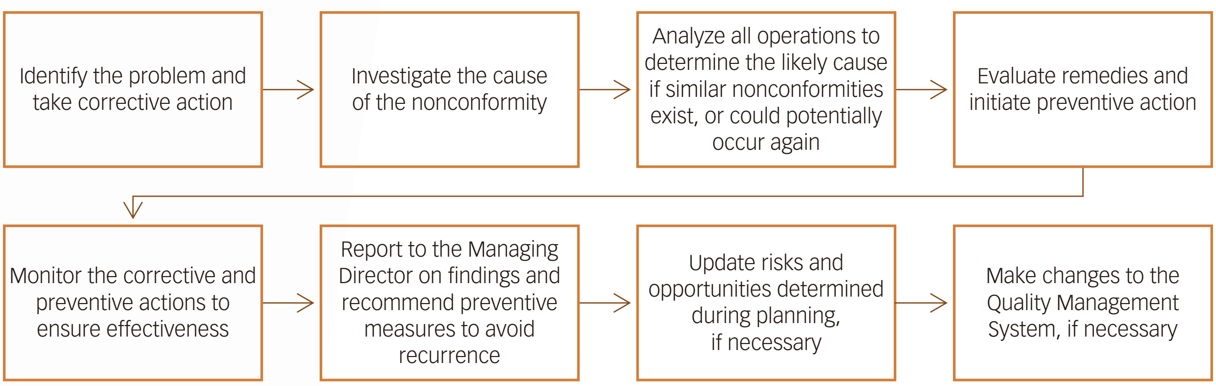
Maintaining a long-standing and strong relationship with our customers, we provide a broad range of services encompassing the provision of feedback from stages of designing, manufacturing, testing and assembling, as well as the provision of after-sales technical support to fulfil our customers' needs.

A project manager is designated to be responsible for each customer. Together with the engineering department, the project manager works closely with the customer throughout the process and provides feedback when necessary. The project managers also communicate with our customers regularly together with our Sales and Business Development heads, to ensure that any problems are resolved in a timely manner.

When we encounter customer complaints or rejection, corrective action is initiated by the head of the Quality Control Department or management representative. We keep all the reported cases on our Non-conforming Product Record and prepare a Non-Conformance Report for each case. To prevent recurrence in the future, we carry out problem investigations through the following procedure.

Comprehensive services for our customers

- Engineering solutions and feedbacks on Client's design
- First article production
- Manufacturing
- Testing
- Product assembling
- After-sales technical support



Environmental, Social and Governance Report

Culture of Probity and Honesty

FSM always conducts its business with due regard to the highest moral and ethical standards. The Group expects employees at all levels to share the values of integrity and honesty.

The Employee Handbook clearly defines a bribe as any inducement or reward offered, promised or provided which is intended to influence a business decision. Any bribery, extortion, fraud and money laundering are strictly forbidden by the Group. In addition, all employees must avoid any activity that might lead to or suggest that a facilitation payment will be made. Any employee breaching the Group's Policy faces disciplinary action, which can result in dismissal for gross misconduct.

During the reporting period, the Group was not aware of any violations of relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The Group was not involved in any corruption cases.

Community Contribution

The Group is committed to supporting domestic communities in locations where we have operations. During the year, the Group has made donations of approximately HKD280,000 (SGD49,000). This includes donations to a charitable organization, a local temple and an education foundation. In the future, we will strengthen our efforts on community investment and co-develop with our communities to achieve sustainable development.

ENVIRONMENTAL MANAGEMENT

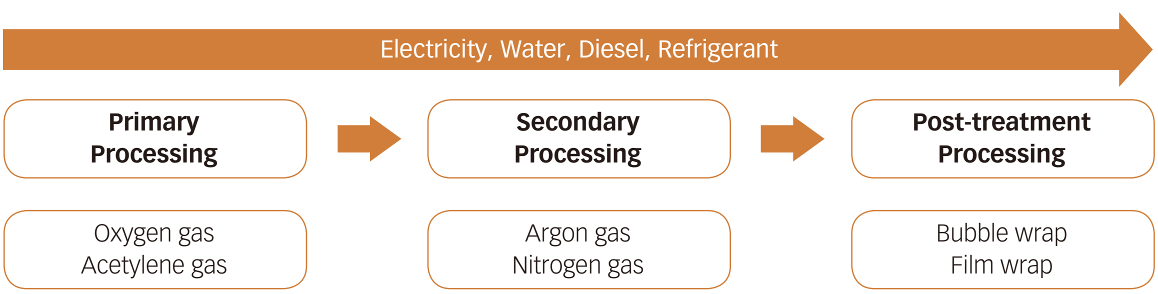
The Group is committed to maintaining stringent control over environmental impacts associated with its sheet metal manufacturing processes. We embrace the principles and practices that contribute to sustainable development.

The Group has been certified for ISO 14001:2015 Environmental Management System since 2002. Being in compliance with requirements of the accreditation, we promote environmental awareness of our employees and thereby minimize risks of pollution resulting from our business operations.

The Group strictly complies with the relevant environmental laws and regulations where we have operations, including but not limited to the Environmental Public Health Act and the Environmental Quality Act 1974. During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Resources Consumption

The production process for the sheet metal products can be broadly categorized into three major steps, namely primary processing, secondary processing and post-treatment processing. The graph below indicates the resources consumption at different production stages.

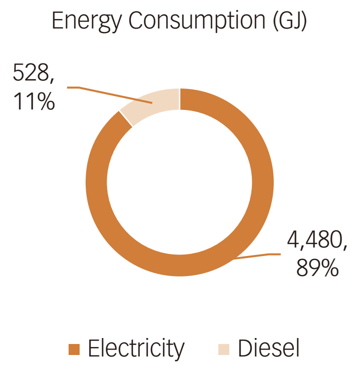


Resources Consumed at Different Production Stages

During the primary processing stage, oxygen gas is added as a laser assist gas for laser cutting and the acetylene gas is the fuel supply. For products with complex structures and functions which require secondary processing, argon and nitrogen gases are used for welding at this stage. Bubble wrap and film wrap are used as packaging materials for the finished products at the last step. Electricity, water, diesel and refrigerant are consumed during the entire production process.

Energy

Energy consumption includes electricity for machineries and offices, and diesel for company vehicles for logistics purposes. In 2018, the total energy consumption was approximately 5,008 gigajoules ("GJ"), comprising 1,244,334 kWh of electricity usage and combustion of 12.40 tons of diesel. The energy intensity was approximately 252 GJ per million SGD revenue.



The Group has implemented various measures for reducing electricity usage. For example, electrical appliances and machineries are turned off when not in use. Employees are required to report any breakdown of equipment or lighting system, and we maintain equipment regularly. The Singapore operations have set an annual electricity reduction target of 10%, and we have minimized about 30% when compared with 2017.

Water

The Group uses municipal water in production plants, which approximately amounted to 1,147 litres during the reporting period. The water consumption intensity was about 57.8 litres per million SGD revenue. We monitor our water consumption annually and have set a year-on-year reduction target of 10%. There were no issues on sourcing of water reported during the year.

We regularly check for leaks in taps or pipes to prevent water wastage and reuse water for different purposes if applicable. The Group believes that it is everyone's responsibility to save and minimize water consumption, and we encourage employees to propose any ideas for reducing water usage.

Packaging materials

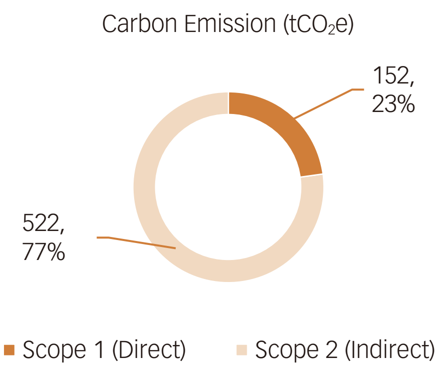
The Group mainly adopts plastic packaging materials for finished products, including approximately 430 rolls of bubble wrap and 3,010 rolls of film wrap used during the reporting period. The plastic packaging materials consumption intensity was about 173 rolls per million SGD revenue. We have also set a target for reducing plastic consumption by 10% annually. To achieve the target, the Group has standardized the packing methods and reuses the packaging materials when necessary for avoiding unnecessary packaging.

Environmental, Social and Governance Report

Emissions & Waste

Carbon

Our operations involve direct (Scope 1) and indirect (Scope 2) carbon emissions. Direct carbon emissions are from vehicles' diesel combustion, refill of refrigerant and from laser-cutting and welding processes. Indirect emissions are from the purchased electricity consumption for our machineries and electrical appliances in the offices.



This year, the total greenhouse gas emissions amounted to approximately 674 tons of carbon dioxide equivalent ("tCO_2e"), of which direct emissions (Scope 1) and indirect emissions (Scope 2) were 152 tCO_2e and 522 tCO_2e respectively. Emission intensity was computed as 33.9 tCO_2e per million SGD revenue.

The diesel consumption by company vehicles emitted approximately 0.24 kg of sulphur oxides (SOx) during the reporting period.

We have implemented measures for reducing electricity consumption, thereby limiting our carbon footprint. For details please refer to the "Energy" section.

Waste

The Group generated approximately 1,660 litres of hazardous (coolant) and 122 tons of non-hazardous (scrap metal) waste during the reporting period. During our production process, there is no wastewater discharged. The hazardous and non-hazardous waste intensities were approximately 83.8 litres per million SGD revenue and 6.14 tons per million SGD revenue respectively.

The Group acknowledges that the daily operations bring environmental impacts and demonstrates its stewardship through proper management of disposal of waste. We segregate the chemical and general waste according to the applicable handling methods, which are disposal, reuse, recycling and resell. The Head of Production/Operations or Administrative Department is responsible for arranging waste handling by licensed collectors and keeping all the records.

Environmental Emergency Management

The Group has implemented the policy of Emergency Preparedness and Response in the case of emergency situations. We conduct an emergency drill at least once a year and record the details. The Management Representative and the Emergency Response Members review and revise the emergency evacuation procedures after each drill or occurrence of emergency accident.

PERFORMANCE DATA SUMMARY

		Unit	2018
Workforce Demographics	Total Headcount		151
	By Geographical Distribution		
	Singapore		64
	Malaysia		87
	By Age		
	<31		66
	31-50		74
	>50		11
	By Gender		
	Male		125
	Female		26
	By Education Level		
	Bachelor's degree or above		9
	Below bachelor's degree		142
	By Function		
	Production		105
	Office		24
	Managerial		8
	Others		14
	Employees' Turnover Rate		44%
	By Gender		
	Male		45%
	Female		38%
	Employees' New Hire Rate		34%
	By Gender		
	Male		33%
	Female		38%
Occupational Health and Safety	Occupational Health and Safety Performance		
	Work-related accidents		0
	Injured employees		0
	Lost days due to work injury		0
	Work-related fatalities		0

		Unit	2018
Community	Donation	SGD	49,000
Environment	Total Resources Consumption		
	Electricity	kWh	1,244,334
	Diesel	tons	12.40
	Municipal water	litres	1,147
	Bubble wrap	rolls	430
	Film wrap	rolls	3,010
	Intensity		
	Energy	GJ/million SGD revenue	252
	Water	litres/million SGD revenue	57.8
	Packaging materials	rolls/million SGD revenue	173
	Emissions		
	Sulphur oxides (SO_x)	kg	0.24
	Greenhouse Gases Emissions		
	GHG emissions	tCO_2e	674
	Scope I	tCO_2e	152
	Scope II	tCO_2e	522
	Intensity		
	GHG emissions	tCO_2e/million SGD revenue	33.9
	Waste		
	Hazardous waste	litres	1,660
	Non-hazardous waste	tons	122
	Intensity		
	Hazardous waste	litres/million SGD revenue	83.8
	Non-hazardous waste	tons/million SGD revenue	6.14

HKEX ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements		Section / Remarks
A. Environmental			
Aspect A1: Emissions	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmental Management
	KPI A1.1	The types of emissions and respective emissions data.	Emissions & Waste
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emissions & Waste
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions & Waste
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions & Waste
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Resources Consumption
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions & Waste
Aspect A2: Use of Resources	**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.		Resources Consumption
	KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Resources Consumption
	KPI A2.2	Water consumption in total and intensity.	Resources Consumption
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Resources Consumption
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Management
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Resources Consumption
Aspect A3: The Environment and Natural Resources	**General Disclosure** Policies on minimizing the issuers' significant impact on the environment and natural resources.		Environmental Emergency Handling
	KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Emergency Handling

Environmental, Social and Governance Report

KPIs	HKEX ESG Reporting Guide Requirements		Section / Remarks
B. Social			
Aspect B1: Employment	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employee Communication; Employees' Rights and Welfare
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our People
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our People
Aspect B2: Health and Safety	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Workplace Safety
Aspect B3: Development and Training	**General Disclosure** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Training and Development
Aspect B4: Labour Standards	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.		Employees' Rights and Welfare
Aspect B5: Supply Chain Management	**General Disclosure** Policies on managing environmental and social risks of the supply chain		Supply Chain Management

Environmental, Social and Governance Report

KPIs	HKEX ESG Reporting Guide Requirements		Section / Remarks
Aspect B6: Product Responsibility	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Quality Assurance
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Intellectual Property Protection
	KPI B6.4	Description of quality assurance process and recall procedures.	Quality Assurance
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Privacy
Aspect B7: Anti-corruption	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Culture of Probity and Honesty
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	During the year, the Group was not involved in any corruption cases.
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Culture of Probity and Honesty
Aspect B8: Community Investment	**General Disclosure** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Contribution
	KPI B8.1	Focus areas of contribution.	Community Contribution
	KPI B8.2	Resources contributed to the focus area.	Community Contribution

Independent Auditor's Report

To the Shareholders of FSM Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of FSM Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 108, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Note 2.20 for the Group's accounting policies on revenue recognition and Note 6 for the analysis of revenue of the Group for the year ended 31 December 2018. The Group recognised revenue from sales of goods and services to multiple customers amounted to approximately S$19,848,000 for the year ended 31 December 2018. Revenue from sales of goods is recognised when control of the products has transferred, being when the products are delivered to customers, customers has full discretion over sales of the products, and there is no unfulfilled obligation that could affect customers' acceptance of the product. Revenue from provision of services is recognised over time while the Group is performing the services. We focused on revenue recognition due to its magnitude and the nature of the Group's business. The recording of revenue involves high volume of transactions derived from sales to multiple customers such that we have incurred significant time and resources in carrying out our work in this area.	We understood the Group's key controls over sales process and its revenue recognition policies. We tested the sales transactions, on a sample basis, by comparing against sales orders, delivery documents, invoices and other supporting documents where relevant. To the extent that those sales have been settled, we also reviewed bank advice and/or bank statements in support of the payment made by the customers. Furthermore, we tested the sales transactions that took place shortly before and after the balance sheet date, on a sample basis, to assess whether these sales transactions were recognised in the correct reporting periods. Our work also included testing of a sample of revenue-related journal entries selected based on risk base criteria by inquiring management of their nature and inspecting the relevant supporting documents. Based on the procedures performed above, we found that the Group's sales transactions were recognised in a manner consistent with the Group's revenue recognition accounting policies.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Po Wah, Pauline.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000
Revenue	6	**19,848**	20,791
Cost of sales	9	**(11,241)**	(12,215)
Gross profit		**8,607**	8,576
Other income	7	**55**	92
Other losses, net	8	**(38)**	(100)
Selling and distribution expenses	9	**(209)**	(244)
Administrative expenses	9	**(5,473)**	(1,823)
Operating profit		**2,942**	6,501
Finance income		**59**	–
Finance costs		**(50)**	(39)
Finance income/(costs), net	11	**9**	(39)
Profit before income tax		**2,951**	6,462
Income tax expense	12	**(899)**	(324)
Profit for the year attributable to owners of the Company		**2,052**	6,138
Earnings per share for profit attributable to owners of the Company (expressed in Singapore cents per share)	13		
– basic and diluted		**0.24**	0.82

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 S$'000	2017 S$'000
Profit for the year	**2,052**	6,138
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(20)**	15
Other comprehensive (loss)/income for the year, net of tax	**(20)**	15
Total comprehensive income for the year attributable to owners of the Company	**2,032**	6,153

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 S$'000	2017 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**13,387**	11,086
Prepayments	19	**1,940**	2,782
Deferred income tax assets	21	**–**	101
		15,327	13,969
Current assets			
Inventories	18	**1,937**	1,516
Trade and other receivables	19	**2,537**	4,499
Pledged bank deposit	20	**654**	–
Short-term bank deposits	20	**9,520**	–
Cash and cash equivalents	20	**15,481**	7,540
		30,129	13,555
Total assets		**45,456**	27,524
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**1,695**	–
Reserves	23	**21,191**	2,606
Retained earnings	23	**16,767**	14,715
		39,653	17,321
Non-controlling interest	23	**–**	–
Total equity		**39,653**	17,321

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 S$'000	2017 S$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	26	**270**	–
Deferred income tax liabilities	21	**1,098**	989
Provision	24	**72**	69
		1,440	1,058
Current liabilities			
Trade and other payables	24	**2,698**	5,344
Borrowings	25	**371**	3,170
Current income tax liabilities		**680**	301
Obligations under finance leases	26	**114**	–
Amounts due to shareholders	30	**500**	330
		4,363	9,145
Total liabilities		**5,803**	10,203
Total equity and liabilities		**45,456**	27,524

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 57 to 108 were approved by the Board of Directors on 15 March 2019 and were signed on its behalf.

Toe Tiong Hock
Director

Wong Yet Lian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Share capital S$'000 (Note 22)	Reserves S$'000 (Note 23)	Retained earnings S$'000	Total equity S$'000
Balance at 1 January 2017		–	2,591	15,365	17,956
Comprehensive income					
Profit for the year		–	–	6,138	6,138
Other comprehensive income for the year, net of tax					
Currency translation differences		–	15	–	15
Total comprehensive income for the year		–	15	6,138	6,153
Transactions with owners, recognised directly in equity					
Dividends	14	–	–	(6,788)	(6,788)
Balance at 31 December 2017		–	2,606	14,715	17,321
Balance at 1 January 2018		**–**	**2,606**	**14,715**	**17,321**
Comprehensive income					
Profit for the year		**–**	**–**	**2,052**	**2,052**
Other comprehensive loss for the year, net of tax					
Currency translation differences		**–**	**(20)**	**–**	**(20)**
Total comprehensive income for the year		**–**	**(20)**	**2,052**	**2,032**
Transactions with owners, recognised directly in equity					
Share issued pursuant to the Reorganisation		**22**	**–**	**–**	**22**
Shares issued pursuant to the Capitalisation		**1,250**	**(1,250)**	**–**	**–**
Shares issued pursuant to the Listing		**423**	**22,034**	**–**	**22,457**
Listing expenses charged to share premium		**–**	**(2,179)**	**–**	**(2,179)**
Balance at 31 December 2018		**1,695**	**21,191**	**16,767**	**39,653**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000
Cash flows from operating activities			
Cash generated from operations	28(a)	**5,024**	6,833
Interest paid		**(38)**	(23)
Income tax (paid)/refund		**(310)**	60
Net cash generated from operating activities		**4,676**	6,870
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,678)**	(4,794)
Proceeds from disposals of property, plant and equipment		**1**	134
Changes in short-term and pledged bank deposits		**(10,174)**	–
Net cash used in investing activities		**(11,851)**	(4,660)
Cash flows from financing activities			
Payment of short-term borrowings		**(143)**	(139)
Payment for obligation under finance lease		**(95)**	(683)
Repayment to the Controlling Shareholders		**(330)**	(410)
Proceeds from the Controlling Shareholders		**–**	312
Issuance of shares		**22,457**	–
Dividends paid to the Controlling Shareholders		**(2,023)**	(6,125)
Payment for professional fee in connection with IPO		**(2,179)**	–
Net cash generated from/(used in) financing activities		**17,687**	(7,045)
Net increase/(decrease) in cash and cash equivalents		**10,512**	(4,835)
Cash and cash equivalents at beginning of the year		**4,884**	9,652
Currency translation differences		**85**	67
Cash and cash equivalents at end of the year	20	**15,481**	4,884

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION AND REORGANISATION

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 "Business").

Prior to the incorporation of the Company and the completion of a reorganisation (the "Reorganisation") in preparation for the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited ("the Main Board"), the Group's 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 Mr. Toe Tiong Hock ("Mr. Toe") and Ms. Wong Yet Lian ("Mrs. Toe") ("the Controlling Shareholders"). The Reorganisation was completed on 22 June 2018 and since then, the Company became the holding company of the Operating Subsidiaries and all other companies now comprising the Group.

The Company's shares have been listed on the Main Board since 16 July 2018.

These consolidated financial statements are presented in Singapore dollars ("S$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

Immediately prior to the Reorganisation, the Group's business was primarily conducted through the Operating Subsidiaries. Pursuant to the Reorganisation, the Group's business was transferred to and held by the Company. The Company has not been 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 Group business with no change in management and the ultimate owners of the Group's business remain substantially the same.

The Group resulting from the Reorganisation is regarded as a continuation of the Group's business under the Operating Subsidiaries. Accordingly, the consolidated financial statements has been prepared and presented as a continuation of the Group's business as if the Group structure has existed as at 1 January 2017.

The preparation of consolidated financial statements in conformity with IFRSs 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 consolidated financial statements are disclosed in Note 4.

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 January 2018 and have been adopted in the preparation of the consolidated financial statements.

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to Annual Improvements Projects	Annual improvements 2014–2016 cycle
Amendments to ISA 40	Transfers to Investment Property
IFRIC 22	Foreign currency transactions and advance consideration

The impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" are disclosed in Note 2.2 below.

Apart from IFRS 9 and IFRS 15 as mentioned above, there are no other new standards or amendments to standards that are effective for the first time for this financial year that could be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards and amendment to existing standards not yet adopted

The following new standards and amendment to existing standards have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		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 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to Annual Improvements Projects	Annual improvements 2015-2017 cycle	1 January 2019
Amendments to IAS 19	Plan amendment, curtailment or settlement	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 IASB

None of the above new standards and amendments to existing standards is expected to have a significant effect on the consolidated financial statements of the Group except for IFRS 16, "Leases".

IFRS 16 "Leases"

Under IFRS 16, lessees are required to recognise 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 certain land and buildings from third parties which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.22, is to record the rental expenses in Group's consolidated statement of profit or loss for the current year with the disclosure of related future minimum lease payments as operating lease commitments (Note 29).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards and amendment to existing standards not yet adopted (Continued)

IFRS 16, "Leases" (Continued)

As at 31 December 2018, the Group's total non-cancellable operating lease commitments amounted to S$1,797,000. 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 consolidated statement of financial position. In the consolidated statement of profit or loss, 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 31.0% of the total liabilities of the Group as at 31 December 2018, the directors of the Company expect that the adoption of IFRS 16 as compared with the current accounting policy would 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 Change in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements.

2.2(a) IFRS 9 "Financial Instruments"

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.8 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

(i) Classification and measurement

The Group's management has assessed which business model applies to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

The Group's financial assets classified as loans and receivables meet the conditions for classification at amortised costs under IFRS 9. Therefore, there were no changes to the classification and measurement of the financial assets. There is 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policies (Continued)

2.2(a) IFRS 9 "Financial Instruments" (Continued)

(ii) Impairment of financial assets

The Group has only one type of financial assets which is subject to IFRS 9's new expected credit loss model i.e. financial assets carried at amortised cost.

The Group was required to revise its impairment methodology under IFRS 9 for such class of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is not material.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For all trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice dates.

2.2(b) IFRS 15 "Revenue from Contracts with Customers"

The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) was recognised in retained earnings as at 1 January 2018 and that comparatives was not restated.

The Group is engaged in precision engineering and sheet metal fabrication business. Revenue from sales of goods is recognised when control of the products has transferred, being when the products are delivered to customers, customers has full discretion over sales of the products, and there is no unfulfilled obligation that could affect customers' acceptance of the product. Revenue from provision of services is recognised at the time when the services are rendered and customers have accepted the processed products.

The Group does not incur costs to fulfil contracts which should be capitalised as they relate directly to the contracts, generate resources used in satisfying the contract and are expected to be recovered.

The Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Thus, the Group does not adjust any of the transaction prices for the time value of money.

As a result, the adoption of IFRS 15 did not result in any net impact on the profit for the period, as the timing of revenue recognition on sales of goods and provision of catering services have not changed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation

2.3.1 Subsidiaries

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.

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.

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.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation (Continued)

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 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-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified Mr. Toe and Mrs. Toe.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("functional currency"). The consolidated financial statements are 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other losses, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(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 profit or loss 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.

2.6 Property, plant and equipment

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated 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 (Note 2.7).

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are recognised within "other losses, net" in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in those to be measured subsequently at fair value (either through OCI or through profit or loss) and those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net, together with foreign exchange gains and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized as other losses, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

(e) Accounting policies applied until 31 December 2017

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classifies its financial assets as loans and receivables.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. See Note 19 for details about each type of financial asset.

(i) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables was subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could 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 decreased and the decrease could 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 was recognised in profit or loss.

Impairment testing of trade receivables is described in Note 3.1(b).

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There is also arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 90 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated 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 consolidated statement of financial position.

2.13 Share capital

Ordinary shares are classified as equity. Increment costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 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. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 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 consolidated statement of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings (Continued)

Borrowings are removed from the consolidated 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 consolidated statement of profit or loss as 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.

2.16 Borrowing costs

Borrowing costs include interest expense and finance charges in respect of finance lease. They are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

Deferred income tax (Continued)

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 Group 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.

2.18 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 (for Singapore) and Employee Provident Fund (for Malaysia) 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.

2.19 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition

(i) Sale of goods

The Group manufactures and sells sheet metal to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Services

The Group provides consigned processing services to the customers. Revenue from providing services is recognised over time during the period when the services are rendered by the Group. As the title right remains with customer during the rework process, the Group's performance creates or enhances an asset that the customer controls. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs the services. Hence, this points to an over time revenue recognition.

2.21 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases

Assets held under finance lease 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.

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 (Note 29). Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.24 Government grants

Grants from the government are recognised 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 relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.25 Interest income

Interest income on financial assets at amortised cost calculated using effective interest method is recognised in the consolidated statement of profit or loss as part of finance income/(costs), net.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

The Group mainly operates in Singapore and Malaysia with majority of the transactions settled in S$, United States Dollars ("US$"), Malaysian Ringgit ("MYR") and proceeds from issuance from issue of equity shares are denominated in Hong Kong Dollars (HKD). Management considers that the Group is exposed to foreign exchange risk, primarily US$ and HKD. Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities denominated in a currency that is not the functional currency of the relevant group entity.

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.

Had S$ be strengthened/weakened by 2% for the year ended 31 December 2018 against US$ with all other variables held constant, the Group's post-tax profit for the year would have been approximately S$265,000 lower/higher (2017: S$125,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of US$-denominated cash and cash equivalent, short-term and pledged bank deposits, trade and other receivables and trades and other payables.

Had S$ be strengthened/weakened by 2% for the year ended 31 December 2018 against HKD with all other variables held constant, the Group's post-tax profit for the year would have been approximately S$105,000 lower/higher (2017: Nil), mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash and cash equivalent.

(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 main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.

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 2018 would have been lowered by S$9,000 (2017: S$80,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, short-term and pledged bank deposits, contractual cash flows of debt instruments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with investment grade credit rating are accepted.

If customers are independently rated, these ratings are used. If there is no independent rating, risk control personnel assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

(ii) Security

For some trade receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets

The trade receivables of the Group are subject to the expected credit loss model while cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the invoice date.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

According to above mentioned consideration, the Group does not expect any significant default possibility and loss allowance of trade receivables are immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Impairment of financial assets (Continued)

Impairment losses on trade receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Group considered that there was evidence of impairment if any of the following indicators were present:

(i) significant financial difficulties of the debtor

(ii) probability that the debtor will enter bankruptcy or financial reorganisation, and

(iii) default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
At 31 December 2018						
Trade payables	**–**	**1,109**	**–**	**–**	**–**	**1,109**
Other payables	**–**	**870**	**–**	**–**	**–**	**870**
Obligations under finance leases and interest expenses	**–**	**124**	**124**	**155**	**–**	**403**
Borrowings	**371**	**–**	**–**	**–**	**–**	**371**
Amounts due to shareholders	**–**	**500**	**–**	**–**	**–**	**500**
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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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:

	2018 S$'000	2017 S$'000
Within 1 year	**163**	2,817
Between 1 and 2 years	**163**	161
Between 2 and 5 years	**70**	228
	396	3,206

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 bank borrowings divided by total equity as shown in statement of financial position.

The gearing ratios as at 31 December 2018 and 2017 were as follows:

	2018 S$'000	2017 S$'000
Total borrowings (Note 25)	**371**	3,170
Total equity	**39,653**	17,321
Gearing ratio	**0.9%**	18.3%

3.3 Fair value estimation

The Company has no significant financial instruments other than trade and other receivables, trade and other payables. 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 Group 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 ("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.

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 sales to customers located in Singapore. As at 31 December 2018, the Group's non-current assets other than financial instruments and deferred income tax assets located out of Singapore (mainly in Malaysia) amounted to S$3,555,000 (2017: S$1,922,000).

5 SEGMENT INFORMATION (CONTINUED)

Information about major customers

For the year ended 31 December 2018, revenue generated from the top three customers accounted for approximately 94% (2017: approximately 97%) of the total revenue for the Group. Other individual customers accounted for less than 10% of revenue for the years ended 31 December 2018 and 2017.

	2018 **S$'000**	2017 S$'000
Customer A	**9,267**	8,012
Customer B	**8,361**	10,133
Customer C	**1,076**	2,034
	18,704	20,179

6 REVENUE

Revenue from sale of manufactured sheet metal and rendering of services recognised during the years are as follows:

	2018 **S$'000**	2017 S$'000
Sale of goods	**19,237**	19,996
Services	**611**	795
	19,848	20,791

7 OTHER INCOME

	2018 **S$'000**	2017 S$'000
Government grant	**20**	30
Scrap sales	**31**	62
Others	**4**	–
	55	92

8 OTHER LOSSES, NET

	2018 S$'000	2017 S$'000
Foreign exchange losses	**38**	135
Gains from disposal of property, plant and equipment	**–**	(35)
	38	100

9 EXPENSES BY NATURE

Expenses included in costs of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2018 S$'000	2017 S$'000
Cost of inventories sold	**4,363**	5,615
Employee benefit expenses (including directors' emoluments) (Note 10)	**3,864**	4,309
Depreciation of property, plant and equipment (Note 16)	**1,446**	975
Operating lease expense in respect of land and buildings	**104**	406
Utilities	**419**	405
Subcontractor fees	**1,382**	1,451
Repair and maintenance of property, plant and equipment	**377**	436
Freight	**243**	221
Auditor's remuneration		
– Audit services	**275**	21
– Non-audit services	**7**	7
Listing expenses	**4,151**	–
Others	**292**	436
	16,923	14,282
Represented by:		
Cost of sales	**11,241**	12,215
Selling and distribution expenses	**209**	244
Administrative expenses	**5,473**	1,823
	16,923	14,282

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018	2017
	S$'000	S$'000
Wages, salaries and allowances	**3,595**	3,612
Defined contribution plans	**193**	224
Others	**76**	473
	3,864	4,309

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors, whose emoluments were reflected in the analysis presented in Note 33 during the year ended 31 December 2018 (2017: two). The emoluments payable to the remaining three individuals (2017: three) are as follows:

	2018	2017
	S$'000	S$'000
Wages, salaries and allowances	**265**	159
Defined contribution plans	**35**	18
	300	177

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HK$1 to HK$500,000 (equivalent to S$1 to S$84,745)	**1**	3
HK$500,001 to HK$1,000,000 (equivalent to S$84,746 to S$169,490)	**2**	–
	3	3

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 FINANCE INCOME/(COSTS), NET

	2018 S$'000	2017 S$'000
Finance costs:		
Finance lease	**12**	15
Bank loan	**19**	23
Bank overdraft	**19**	1
	50	39
Finance income:		
Bank deposit	**(59)**	–
Finance (income)/costs, net	**(9)**	39

12 INCOME TAX EXPENSE

Singapore and Malaysia income tax has been provided at the rate of 17% and 24% on the estimated assessable profit for the year ended 31 December 2018 (2017: 17% and 24%) respectively. No overseas profit tax has been provided as the Company and certain subsidiaries are incorporated in the Cayman Islands and the BVI respectively, and are exempted from tax (2017: Nil).

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

	2018 S$'000	2017 S$'000
Current income tax	**696**	302
Deferred income tax (Note 21)	**210**	22
Over provision in prior years	**(7)**	–
Income tax expense	**899**	324

12 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount as follows:

	2018 **S$'000**	2017 S$'000
Profit before income tax	**2,951**	6,462
Tax calculated at tax rate of 17%	**502**	1,098
Different tax rates in other countries	**11**	2
Over provision in prior years	**(7)**	–
Income not subjected to tax	**(47)**	(29)
Expenses not deductible for tax purposes	**781**	103
Tax incentive (Note 1)	**(285)**	(820)
Partial tax exemption (Note 2)	**(46)**	(26)
Others	**(10)**	(4)
Income tax expense	**899**	324

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 from the years of assessment 2011 to 2018, 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 75% 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.

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Profit attributable to owners of the Company (S$'000)	**2,052**	6,138
Weighted average number of ordinary shares in issue (thousands)	**865,753**	750,000
Basic earnings per share (Singapore cents)	**0.24**	0.82

The weighted average number of ordinary shares for the purpose of calculating basic earnings per shares has been determined on the assumption that the Reorganisation and Capitalisation Issue as described in Note 22 had been effective from 1 January 2017.

(b) Diluted

For the years ended 31 December 2018 and 2017, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

14 DIVIDENDS

	2018 S$'000	2017 S$'000
2017 final dividend paid to the then owners	–	6,788

Dividends during the year ended 31 December 2017 represented dividends declared by the companies now comprising the Group to the then owners of the companies for the year ended 31 December 2017, after eliminating intra-group dividends.

The directors have resolved not to declare any dividend for the year ended 31 December 2018.

15 SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2018 are as follows:

Name of subsidiaries	Place of incorporation and business and date of incorporation	Particulars of issued share capital	Equity interest attributable to the Group	Principal activities
Directly held by the Company				
FSM Singapore Limited ("FSM Singapore")	BVI, 1 March 2018	1 share of US$1 each	100%	Investment holding
FSM Malaysia Limited ("FSM Malaysia")	BVI, 1 March 2018	1 share of US$1 each	100%	Investment holding
Indirectly held by the Company				
Fine Sheetmetal Technologies	Singapore, 1 August 1980	1,200,000 shares of S$1 each	100%	Sheet metal fabrication with a focus on precision engineering and precision machining service
FSM Technology (SG)	Singapore, 10 July 1997	500,000 shares of S$1 each	100%	Sheet metal fabrication with a focus on precision engineering
FSM Manufacturing Solutions (SG)	Singapore, 6 February 2001	100,000 shares of S$1 each	100%	Dormant
Evercoat Technology	Singapore, 7 June 1996	300,000 shares of S$1 each	100%	Provision of post-treatment process
FSM Manufacturing Solutions (MY)	Malaysia, 26 January 2014	500,000 shares of RM1 each	100%	Handling of internal human resources and administrative matters
FSM Technologies (MY)	Malaysia, 9 November 2000	1,000,000 shares of RM1 each	100%	Sheet metal fabrication with a focus on precision engineering

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings S$'000	Plant and equipment S$'000	Office and computer equipment S$'000	Furniture and fittings S$'000	Total S$'000
As at 1 January 2017					
Cost	8,708	13,143	1,094	615	23,560
Accumulated depreciation	(2,666)	(9,310)	(884)	(552)	(13,412)
Net book value	6,042	3,833	210	63	10,148
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 (Note 9)	(177)	(656)	(48)	(94)	(975)
Closing net book amount	5,878	4,787	250	171	11,086
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	5,878	4,787	250	171	11,086
Year ended 31 December 2018					
Opening net book amount	**5,878**	**4,787**	**250**	**171**	**11,086**
Additions	**2,490**	**1,228**	**19**	**11**	**3,748**
Disposals	**–**	**(1)**	**–**	**–**	**(1)**
Depreciation (Note 9)	**(374)**	**(931)**	**(111)**	**(30)**	**(1,446)**
Closing net book amount	**7,994**	**5,083**	**158**	**152**	**13,387**
As at 31 December 2018					
Cost	**10,829**	**14,995**	**1,189**	**829**	**27,842**
Accumulated depreciation	**(2,835)**	**(9,912)**	**(1,031)**	**(677)**	**(14,455)**
Net book value	**7,994**	**5,083**	**158**	**152**	**13,387**

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statement of profit or loss as follow:

	2018 S$'000	2017 S$'000
Cost of sales	1,295	823
Selling and distribution expenses	38	37
Administrative expenses	113	115
	1,446	975

As at 31 December 2018, the Group's plant and equipment includes machineries where the Group is a lessee under a finance lease with cost of approximately S$934,000 and accumulated depreciation of approximately S$169,000.

Borrowings are secured by legal mortgage of properties of the Group with carrying amount of S$7,100,000 as at 31 December 2018. As at 31 December 2017, borrowings were secured by-legal mortgage of a property with carrying amount of S$5,300,000 and personal guarantee by Mr. Toe. The personal guarantee were released during the year ended 31 December 2018.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 S$'000	2017 S$'000
Financial assets		
Financial assets measured at amortised cost		
– Trade and other receivables	2,415	4,446
– Cash and cash equivalents	15,481	7,540
– Short-term bank deposits	9,520	–
– Pledged bank deposit	654	–
	28,070	11,986
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	2,698	5,344
– Borrowings	371	3,170
– Obligations under finance leases	384	–
– Amounts due to shareholders	500	330
	3,953	8,844

18 INVENTORIES

	2018 S$'000	2017 S$'000
Raw materials	**1,161**	1,202
Finished goods	**776**	314
	1,937	1,516

The cost of inventories included in cost of sales amounted to S$4,363,000 for the year ended 31 December 2018 (2017: S$5,615,000).

19 TRADE AND OTHER RECEIVABLES

	2018 S$'000	2017 S$'000
Non-current		
Prepayments for property, plant and equipment	**1,940**	2,782
Current		
Trade receivables	**2,257**	4,337
Less: loss allowance	**–**	–
Trade receivables, net	**2,257**	4,337
Prepayments	**122**	53
Deposits	**96**	103
Other receivables	**62**	6
	2,537	4,499
	4,477	7,281

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2018 S$'000	2017 S$'000
0 to 30 days	**1,256**	1,788
31 to 60 days	**816**	2,030
61 to 90 days	**81**	201
Over 90 days	**104**	318
	2,257	4,337

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is no significant impact of loss allowance on 1 January 2018 for trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

The Group's trade and other receivables are denominated in the following currencies:

	2018 S$'000	2017 S$'000
United States dollars	**1,034**	2,929
Singapore dollars	**1,571**	4,140
Malaysia ringgit	**1,872**	212
	4,477	7,281

The carrying amounts of trade and other receivables approximate their fair values due to their short maturities.

The maximum exposure to credit risk at each reporting date is the carrying value of the receivables mentioned above.

20 CASH AND CASH EQUIVALENTS AND SHORT-TERM AND PLEDGED BANK DEPOSITS

	2018 S$'000	2017 S$'000
Short-term bank deposits	9,520	–
Cash at banks and on hand	15,481	7,540
	25,001	7,540
Pledged bank deposit (Note 27)	654	–
	25,655	7,540

The maximum exposure to credit risk at the end of the reporting period is the book carrying value of the cash at banks.

Cash at banks earns interest income of floating rates based on daily bank deposit rates. Short-term and pledged bank deposits as at 31 December 2018 bear interests at an average rate of 2.38% per annum.

The Group's cash and cash equivalents, short-term and pledged bank deposits are denominated in the following currencies:

	2018 S$'000	2017 S$'000
United States dollars	15,285	6,649
Singapore dollars	3,740	687
Malaysia ringgit	334	201
Hong Kong dollars	6,293	–
Japanese yen	3	3
	25,655	7,540

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	2018 S$'000	2017 S$'000
Cash and cash equivalents	15,481	7,540
Bank overdrafts (Note 25)	–	(2,656)
	15,481	4,884

21 DEFERRED INCOME TAX

	2018 S$'000	2017 S$'000
Deferred income tax assets		
To be recovered after more than 12 months	**–**	101
Deferred income tax liabilities		
To be settled after more than 12 months	**(1,098)**	(989)
Deferred income tax liabilities (net)	**(1,098)**	(888)

The movements in deferred income tax assets of the Group during the year are as follows:

	Tax losses	
	2018 S$'000	2017 S$'000
Deferred income tax assets		
Beginning of the year	**101**	105
Charged to the consolidated statements of profit or loss (Note 12)	**(101)**	(4)
End of the year	**–**	101

The movements in the deferred income tax liabilities of the Group during the year are as follows:

	Accelerated tax depreciation	
	2018 S$'000	2017 S$'000
Deferred income tax liabilities		
Beginning of the year	**(989)**	(971)
Charged to the consolidated statements of profit or loss (Note 12)	**(109)**	(18)
End of the year	**(1,098)**	(989)

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.

22 SHARE CAPITAL

	Number of shares	Share capital S$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 5 February 2018 (date of incorporation) (Note (i))	**38,000,000**	**64**
Increase in authorised share capital (Note (iii))	**1,962,000,000**	**3,326**
At 31 December 2018	**2,000,000,000**	**3,390**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 5 February 2018 (date of incorporation) (Note (i))	**2**	**–**
Shares issued pursuant to the Reorganisation (Note (ii))	**12,751,802**	**22**
Shares issued pursuant to the Capitalisation (Note (iv))	**737,248,196**	**1,250**
Shares issued pursuant to the Listing (Note (v))	**250,000,000**	**423**
At 31 December 2018	**1,000,000,000**	**1,695**

Notes:

(i) 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 and was subsequently transferred to KAL SG Limited ("KAL SG") at par value. On the same date, the Company issued and allotted one fully paid share to KYL SG Limited ("KYL SG"). KAL SG and KYL SG are companies controlled and owned by Mr. and Mrs Toe.

(ii) Pursuant to the Reorganisation, the Company, Mr. Toe, Mrs. Toe, KAL SG, KYL SG, FSM Singapore and FSM Malaysia completed a share swap, pursuant to which, among others, the Company issued and allotted 6,375,901 and 3,624,101 shares, credited as fully paid, to KAL SG and KYL SG, respectively.

On the same day, the Company issued and allotted 2,751,800 shares at par value, credited and fully paid, to KYL SG.

(iii) On 21 June 2018, the authorised share capital of the Company was increased from 38,000,000 shares of HK$0.01 each to 2,000,000,000 shares of HK$0.01 each, by the creation of an additional 1,962,000,000 shares, ranking pari passu in all respects with the then existing shares.

(iv) Pursuant to the written resolutions passed by the shareholders on 22 June 2018 and conditional upon the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to capitalise an amount of HK$7,372,481 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 737,248,196 shares for allotment and issue to the then shareholders (the "Capitalisation").

(v) On 16 July 2018, the Company issued 250,000,000 ordinary shares of HK$0.01 each at a price of HK$0.53 per share pursuant to the initial public offering and listing of the Company's shares in the Main Board. Net proceeds from such offering are to be used as working capital for the Group.

23 RESERVES

	Share premium S$'000	Exchange reserve S$'000	Retained earnings S$'000	Total S$'000
Balance at 1 January 2017	2,594	(3)	15,365	17,956
Comprehensive income				
Profit for the year	–	–	6,138	6,138
Other comprehensive income for the year, net of tax				
Currency translation differences	–	15	–	15
Transactions with owners, recognised directly in equity:				
Dividends	–	–	(6,788)	(6,788)
Balance at 31 December 2017	2,594	12	14,715	17,321
Balance at 1 January 2018	**2,594**	**12**	**14,715**	**17,321**
Comprehensive income				
Profit for the year	**–**	**–**	**2,052**	**2,052**
Other comprehensive loss for the year, net of tax				
Currency translation differences	**–**	**(20)**	**–**	**(20)**
Transactions with owners, recognised directly in equity:				
Shares issued pursuant to the Capitalisation	**(1,250)**	**–**	**–**	**(1,250)**
Shares issued pursuant to the Listing	**22,034**	**–**	**–**	**22,034**
Listing expenses charged to share premium	**(2,179)**	**–**	**–**	**(2,179)**
Balance at 31 December 2018	**21,199**	**(8)**	**16,767**	**37,958**

Note: Non-controlling interest is less than S$1,000 as at 31 December 2017 and profit attributable to non-controlling interest is less than S$1,000 for the year ended 31 December 2017.

24 TRADE AND OTHER PAYABLES AND PROVISION

	2018 S$'000	2017 S$'000
Non-current		
Provision for reinstatement cost	**72**	69
Current		
Trade payables	**1,109**	1,912
Other payables and accruals		
– Dividend payable	**–**	2,023
– Accrued expenses	**719**	775
– Others	**870**	634
	2,698	5,344
Total	**2,770**	5,413

The ageing analysis of the trade payables based on invoice date were as follows:

	2018 S$'000	2017 S$'000
0 to 30 days	**334**	915
31 to 60 days	**402**	585
61 to 90 days	**144**	288
Over 90 days	**229**	124
	1,109	1,912

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:

	2018 S$'000	2017 S$'000
Singapore dollars	**2,176**	3,056
US dollars	**384**	2,056
Malaysia Ringgit	**210**	301
	2,770	5,413

25 BORROWINGS

	2018 S$'000	2017 S$'000
Bank loan	371	514
Bank overdraft	–	2,656
Total borrowings	371	3,170

The Group's borrowing, after taking into account of repayable on demand clause, are repayable as follows:

	2018 S$'000	2017 S$'000
Within 1 year or on demand	371	3,170

The Group's borrowings repayable based on the scheduled repayment dates are as follows:

	2018 S$'000	2017 S$'000
Within 1 year	149	2,799
Between 1 and 2 years	156	149
Between 2 and 5 years	66	222
	371	3,170

The average effective interest rates per annum were set out as follows:

	2018	2017
Bank loan	4.57%	3.87%
Bank overdraft	–	13.74%

The carrying amounts of the Group's borrowings approximate their fair values and are denominated in S$.

Borrowings are secured by legal mortgage of properties of the Group with carrying amount of S$7,100,000 as at 31 December 2018. As at 31 December 2017, borrowings were secured by-legal mortgage of a property with carrying amount of S$5,300,000 and personal guarantee by Mr. Toe. The personal guarantee were released during the year ended 31 December 2018.

In addition to the above, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

26 OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain property, plant and equipment from third parties under finance leases. As at 31 December 2018 and 2017, the Group's finance leases were repayable as follows:

	2018 S$'000	2017 S$'000
Gross finance lease liabilities – minimum lease payments		
Not later than 1 year	**124**	4
Later than 1 year and not later than 2 years	**124**	–
Later than 2 years and not later than 5 years	**155**	–
	403	4
Future finance charges on finance lease	**(19)**	(4)
Present value of finance lease liabilities	**384**	–

The present value of obligations under finance lease are analysed as follows:

	2018 S$'000	2017 S$'000
Not later than 1 year	**114**	–
Later than 1 year and not later than 2 years	**118**	–
Later than 2 years and no later than 5 years	**152**	–
Total	**384**	–

The Group's obligations under finance lease are secured by the lessor's charge over the leased assets with net carrying amount of S$765,000 as at 31 December 2018.

Effective interest rates on the finance leases were 3.31% per annum during the year ended 31 December 2018 (2017: 4.93%).

27 PLEDGE OF ASSETS

As at 31 December 2018, the Group's bank deposit of S$654,000 was pledged as security primarily for banking facilities of the Group for which S$371,000 have been utilised. In case the Group defaults under the facility agreements, the banks have the right to seize the pledged bank deposit.

28 CASH GENERATED FROM OPERATING ACTIVITIES

(a) Reconciliation of profit before income tax to cash generated from operation:

	2018 S$'000	2017 S$'000
Profit before income tax	**2,951**	6,462
Adjustments for:		
Depreciation of property, plant and equipment (Note 16)	**1,446**	975
Gains on disposals of property, plant and equipment (Note 8)	**–**	(35)
Unrealised foreign exchange gain	**(83)**	(51)
Finance costs (Note 11)	**50**	39
Finance income (Note 11)	**(59)**	–
Operating profit before working capital changes	**4,305**	7,390
Changes in working capital:		
– inventories	**(421)**	(336)
– trade and other receivables	**2,021**	(1,825)
– trade and other payables	**(1,381)**	1,604
– amount due to shareholders	**500**	–
Cash generated from operations	**5,024**	6,833

(b) Reconciliation of liabilities arising from financing activities

	As at 1 January 2018 S$'000	Inception of finance leases S$'000	Cash flows S$'000	Interest on finance lease liabilities S$'000	As at 31 December 2018 S$'000
Borrowings	**514**	**–**	**(181)**	**38**	**371**
Obligations under finance leases	**–**	**467**	**(95)**	**12**	**384**
Amounts due to shareholders	**330**	**–**	**(330)**	**–**	**–**

	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 (Note)	653	(139)	–	514
Obligations under finance leases	666	(683)	17	–
Amounts due to shareholders	428	(98)	–	330

Note: For the purpose of presenting the consolidated statement of cash flows, bank overdrafts are shown within cash and cash equivalents.

29 COMMITMENTS

Operating lease commitments – Group as lessee

The Group leases certain property, plant and equipment from third parties under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 S$'000	2017 S$'000
Not later than 1 year	**113**	140
Later than 1 year and not later than 5 years	**492**	401
Later than 5 years	**1,192**	345
	1,797	886

30 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 years ended 31 December 2018 and 2017:

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 consolidated financial statements, the Group had the following related party transactions during the years ended 31 December 2018 and 2017.

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	2018 S$'000	2017 S$'000
Emolument payable or paid to – Children of Controlling Shareholders	**175**	124

(c) Transactions with the Controlling Shareholders

	2018 S$'000	2017 S$'000
Payments made on behalf by the Controlling Shareholders	**–**	312
Repayments to the Controlling Shareholders	**(330)**	(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 33 to the consolidated financial statements.

(e) Amounts due to shareholders

The amounts due to shareholders are denominated in Singapore dollars, unsecured and repayable on demand.

Amounts due to shareholders amounting to S$500,000 represented remunerations payable to the shareholders as at 31 December 2018, while amounts due to shareholders of S$330,000 as at 31 December 2017 represented capital from shareholders for financing the Group. There is no transaction or balance with related companies or corporations outside of the Group.

31 SUBSEQUENT EVENT

On 6 January 2019, the Group purchased a property located in Johar Bahru Malaysia amounting to RM4.8 million (approximately S$1.6 million).

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2018 S$'000
ASSETS		
Non-current asset		
Investment in subsidiaries		**44,915**
Current assets		
Amount due from subsidiaries		**15,800**
Cash and cash equivalents		**189**
		15,989
Total assets		**60,904**
EQUITY		
Equity attributable to owners of the Company		
Share capital		**1,695**
Reserves	(a)	**63,498**
Accumulated losses	(a)	**(4,289)**
Total equity		**60,904**

The statement of financial position of the Company was approved by the Board of Directors on 15 March 2019 and was signed on its behalf.

Toe Tiong Hock
Director

Wong Yet Lian
Director

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a): Reserve movement of the Company

	Share premium S$'000	Contributed surplus S$'000	Accumulated losses S$'000	Total S$'000
Balances at 5 February 2018 (date of incorporation)	–	–	–	–
Total comprehensive loss				
Loss for the year	–	–	(4,289)	(4,289)
Transactions with owners in their capacity as owners:				
Issue of shares pursuant to the Reorganisation	–	44,893	–	44,893
Issue of shares pursuant to the Capitalisation (Note 22)	(1,250)	–	–	(1,250)
Issue of shares pursuant to the Listing (Note 22)	22,034	–	–	22,034
Transaction costs attributable to the Listing (Note 22)	(2,179)	–	–	(2,179)
Balances at 31 December 2018	18,605	44,893	(4,289)	59,209

The Company was incorporated on 5 February 2018 and, as at 31 December 2018, the Company has authorised share capital of HK$20,000,000, divided into 2,000,000,000 shares of HK$0.01 each. As at 31 December 2017, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves on that date.

33 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remunerations of the directors for the years ended 31 December 2018 and 2017 are set out below:

	Fee S$'000	Salaries S$'000	Other allowances and benefits in kind S$'000	Discretionary bonuses S$'000	Defined contribution pension costs S$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking S$'000	Total S$'000
For the year ended 31 December 2018							
Executive directors							
Mr. Toe *(Chairman & CEO)* (Note (i))	**200**	**320**	**–**	**–**	**18**	**–**	**538**
Mrs. Toe (Note (i))	**65**	**232**	**–**	**–**	**18**	**–**	**315**
Ms. Lim Siew Choo (Note (i))	**10**	**25**	**–**	**–**	**3**	**–**	**38**
Independent non-executive directors							
Mr. Ng Hung Fai Myron (Note (ii))	**21**	**–**	**–**	**–**	**–**	**–**	**21**
Mr. Bau Siu Fung (Note (ii))	**21**	**–**	**–**	**–**	**–**	**–**	**21**
Prof. Pang Kam Keung (Note (ii))	**21**	**–**	**–**	**–**	**–**	**–**	**21**
	338	**577**	**–**	**–**	**39**	**–**	**954**
For the year ended 31 December 2017							
Executive directors							
Mr. Toe (Note (i))	168	177	–	–	33	–	378
Mrs. Toe (Note (i))	33	141	–	–	20	–	194
Ms. Lim Siew Choo (Note (i))	22	–	–	–	2	–	24
	223	318	–	–	55	–	596

33 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) Mr. Toe, Mrs. Toe and Ms. Lim Siew Choo were appointed as executive directors of the Company on 9 March 2018.

(ii) Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung were appointed as independent non-executive directors of the Company on 22 June 2018.

There was no arrangement under which a director has waived or agreed to waive any emolument during the years.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Company or Operating Subsidiaries and no directors waived or agreed to waive any emolument during each of the years ended 31 December 2018 and 2017.

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 December 2018 (2017: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 December 2018 (2017: Nil).

(c) Consideration provided to third parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended 31 December 2018 (2017: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 30, there were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2018 (2017: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the Note 30, 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 the year or at any time during the year ended 31 December 2018 (2017: Nil).

Summary of Financial Information

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the published financial statements, is set out as below:

	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000
Revenue	**19,848**	20,791	12,598	18,531
Cost of sales	**(11,241)**	(12,215)	(8,561)	(11,599)
Gross profit	**8,607**	8,576	4,037	6,932
Other income	**55**	92	115	108
Other (losses)/gains, net	**(38)**	(100)	254	507
Selling and distribution expenses	**(209)**	(244)	(212)	(251)
Administrative expenses	**(5,473)**	(1,823)	(1,530)	(1,689)
Operating profit	**2,942**	6,501	2,664	5,607
Finance income	**59**	–	1	–
Finance costs	**(50)**	(39)	(61)	(82)
Finance income/(costs), net	**9**	(39)	(60)	(82)
Profit before income tax	**2,951**	6,462	2,604	5,525
Income tax (expense)/credit	**(899)**	(324)	(360)	60
Profit for the year attributable to owners of the Company	**2,052**	6,138	2,244	5,585
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	**(20)**	15	39	(42)
Other comprehensive (loss)/income for the year, net of tax	**(20)**	15	39	(42)
Total comprehensive income for the year attributable to owners of the Company	**2,032**	6,153	2,283	5,543

Summary of Financial Information

	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000
ASSETS AND LIABILITIES				
Non-current assets	**15,237**	13,969	10,253	11,269
Current assets	**30,129**	13,555	13,567	11,071
Total assets	**45,456**	27,524	23,820	22,340
Non-current liabilities	**1,440**	1,058	1,183	1,340
Current liabilities	**4,363**	9,145	4,681	5,327
Total liabilities	**5,803**	10,203	5,864	6,667
Total equity	**39,653**	17,321	17,956	15,673

The financial information for the year ended 31 December 2014 was not disclosed as consolidated financial statements for the Group were not prepared for this year.

The summary above does not form part of the audited financial statements.