FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1721

ANNUAL REPORT 2019

Contents

2	Corporate Information
4	Chairman's Statement
6	Management Discussion and Analysis
12	Biographies of Directors and Senior Management
15	Corporate Governance Report
22	Report of the Directors
32	Environmental, Social and Governance Report
53	Independent Auditor's Report
57	Consolidated Statement of Profit or Loss
58	Consolidated Statement of Comprehensive Income
59	Consolidated Statement of Financial Position
61	Consolidated Statement of Changes in Equity
62	Consolidated Statement of Cash Flows
63	Notes to the Consolidated Financial Statements
109	Summary of Financial Information

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

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. Leung Hoi Yan

AUTHORISED REPRESENTATIVES

Ms. Leung Hoi Yan
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 IN THE CAYMAN ISLANDS

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

COMPLIANCE ADVISER

First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

LEGAL ADVISERS

Michael Li & Co
19/F, Prosperity Tower
No. 39 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

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

Bank of Communications Co., Ltd
Hong Kong Branch
20 Pedder Street
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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 Shareholders,

On behalf of the Board of Directors (the "Board") of FSM Holdings Limited (the "Company", together with its subsidiaries, the "Group"), it is my pleasure to present the annual report of the Group for the financial year ended 31 December 2019 ("FY2019").

PERFORMANCE REVIEW

In FY2019, the Group recorded total revenue of approximately S$9.6 million, representing a decrease of approximately S$10.2 million from approximately S$19.8 million for the year ended 31 December 2018 ("FY2018"). The decrease in revenue was mainly due to decrease in sales of sheet metal products relating to semiconductor manufacturing affected by the United States-China ("US-China") Trade War and the deteriorated market conditions. The overall gross profit decreased by approximately S$5.8 million from approximately S$8.6 million for FY2018 to approximately S$2.8 million for FY2019. Such decrease was mainly due to the decrease in sales of sheet metal products relating to semiconductor manufacturing with higher gross profit margin and the impact of fixed manufacturing overheads. As a result of the above factors, the Group recorded profit for the year attributable to owners of the Company ("the net profit") of approximately S$59,000 for FY2019, representing a decrease of approximately S$2.0 million as compared with the net profit of approximately S$2.1 million for FY2018.

OUTLOOK

Entering into 2020, the rapid outbreak and large-scale spread of the novel coronavirus (the "COVID-19") epidemic across the world had severe impacts on global economy. The spread of the COVID-19 epidemic has a disruptive impact on supply chains of various industries in many countries. Our manufacturing plant in Malaysia has been temporarily shut down from 18 March 2020 to 14 April 2020 to comply with order of Malaysian Government for curbing the spread of the COVID-19 epidemic in Malaysia. Meanwhile, our manufacturing plant in Singapore has not been disrupted by the COVID-19 epidemic in Singapore. It is difficult to measure and quantify the impacts on the semiconductor industry which may in turn affect demand of our products while the transmission of the epidemic remains uncertain.

Despite such challenging environment, the Group will continuously deploy outreach strategies in maintaining relationships with existing and potential customers and enhancing productivity and production competency through upgrading of machines and robotics for reducing production cost. Meanwhile, the Group has started to review operation and business activities to formulate a long-term strategies of the Group to smoothen the performance in this challenging environment.

Chairman's Statement

APPRECIATION

We would like to thank our committed staff for their contributions and our customers, business partners and shareholders for their continued support for the Group.

On behalf of the Board

Toe Tiong Hock
Chairman and Chief Executive Officer
Hong Kong, 30 March 2020

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. Sheet metal fabrication is the use of sheet metal to produce structures and products for various applications, whereas precision engineering requires attention to detail and knowledge for careful application of measurements, control and fabrication methods which supports the production of complex components in various industries. The Group's customers are contract manufacturers and brand owners which include subsidiaries of several established multi-national companies. The Group's customers would integrate and assemble sheet metal products provided by the Group into machineries used for various applications.

Due to the US-China trade tension in 2019, the Gross Domestic Product ("GDP") of Singapore manufacturing industry decreased by approximately 2.3% in the fourth quarter of 2019, bringing the full-year decrease to 1.4% in 2019. The change in industry has impacted the Group's customers, which resulted in customers delaying finished goods delivery and decrease in orders from customers.

During FY2019, the revenue of the Group decreased by approximately 51.5% to approximately S$9.6 million as compared to approximately S$19.8 million for FY2018. The drop in revenue was mainly due to decrease in sales of sheet metal products relating to semiconductor manufacturing which was affected by the US-China Trade War and the deteriorated market condition.

During FY2019, the Group recorded net profit of approximately S$59,000, representing a decrease of approximately S$2.0 million as compared with the net profit of approximately S$2.1 million for FY2018. The decrease in net profit during FY2019 was mainly due to the decrease in sales of sheet metal products with higher gross profit margins and the impact of fixed manufacturing overheads which mainly included depreciation and other fixed costs.

In the face of the challenging operating environment, the Group has retained a high degree of sensitivity on the market development and placed strong efforts on enhancing production competency through upgrading of machines and robotics and outreach to new customers.

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 FY2019 compared to FY2018 is as follows:

	Year ended 31 December	
	2019 S$'000	2018 S$'000
Sale of sheet metal products	**9,427**	19,237
Precision machining services	**182**	611
Total	**9,609**	19,848

Management Discussion and Analysis

The Group's revenue decreased from approximately S$19.8 million for FY2018 to approximately S$9.6 million for FY2019, representing a decrease of approximately S$10.2 million or 51.5%.

Revenue from sales of sheet metal products which accounted for approximately 98.1% of total revenue, decreased by approximately S$9.8 million or 51.0% from approximately S$19.2 million for FY2018 to approximately S$9.4 million for FY2019. Revenue from precision machining services decreased by approximately S$0.4 million or 70.2% from approximately S$0.6 million for FY2018 to approximately S$0.2 million for FY2019.

The decrease in revenue from sales of sheet metal products was mainly attributable to a substantial decrease in orders for sheet metal products used for application in semiconductor manufacturing.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group for FY2019 amounted to approximately S$2.8 million, representing a decrease of approximately S$5.8 million or 67.4% as compared with the gross profit of approximately S$8.6 million for FY2018. The Group's gross profit margin for FY2019 was approximately 28.8%, as compared with approximately 43.4% for FY2018. This was mainly due to the significant decrease in sales of sheet metal products relating to semiconductor manufacturing with higher gross profit margins and the impact of fixed manufacturing overhead which mainly included depreciation and other fixed costs.

OTHER INCOME

The Group's other income decreased by approximately S$2,000 or 3.6% from S$55,000 for FY2018 to S$53,000 for FY2019. This is mainly due to the decrease in scrap sales for FY2019.

OTHER LOSSES

The Group's other losses decreased by approximately S$37,000 or approximately 97.4% from approximately S$38,000 for FY2018 to approximately S$1,000 for FY2019. This is mainly due to the decrease in foreign exchange losses for FY2019.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by approximately S$3.2 million or 58.2% from approximately S$5.5 million for FY2018 to approximately S$2.3 million for FY2019. This is mainly due to listing expenses of approximately S$3.9 million incurred in FY2018 in connection with the listing of the Company's shares on 16 July 2018 (the "Listing").

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above factors, the Group recorded net profit of approximately S$59,000 for FY2019 (FY2018: approximately S$2.1 million).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for FY2019 (FY2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are to satisfy the working capital and capital expenditure needs. The Group's 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 United States Dollars ("USD"), Singapore Dollars ("SGD"), Malaysia Ringgit ("MYR") and Hong Kong Dollars ("HKD"), are generally deposited with reputable financial institutions. The Group's borrowings and lease liabilities are denominated in SGD.

As at 31 December 2019, the Group's total equity attributable to owners of the Company amounted to approximately S$39.5 million (2018: approximately S$39.7 million).

As at 31 December 2019, the Group's net current assets was approximately S$26.0 million (2018: approximately S$25.8 million) and the Group had cash and cash equivalents, short-term bank and pledged deposits of approximately S$24.1 million (2018: approximately S$25.7 million). The Group had borrowings and lease liabilities of approximately S$1.7 million (2018: approximately S$0.8 million) and S$0.8 million (2018: Nil), respectively.

The effective interest rates of the Group's term loans as at 31 December 2018 and 2019 are 4.6% and 4.7% respectively.

As at 31 December 2019, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 9.2 times (2018: approximately 6.9 times). The Group's gearing ratio (calculated by dividing total borrowings and lease liabilities by total equity as at the end of the year) was approximately 6.3% (2018: approximately 1.9%).

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 ordinary shares.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's bank loan were secured by legal mortgage of two properties of the Group with carrying amount of S$6.9 million (2018: approximately S$7.1 million) and corporate guarantee provided by the Company.

As at 31 December 2019, the Group recorded approximately S$1.5 million (2018: approximately S$0.4 million) of hire purchase liabilities, which is secured by the Group's machineries.

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2019, there was no significant investment held by the Group (2018: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in 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 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any significant capital commitments (FY2018: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 147 full-time employees (FY2018: 151 employees).

Total staff costs including directors' emoluments in which amounted to approximately S$2.9 million in FY2019 (FY2018: approximately S$3.9 million) comprise 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 being reviewed annually.

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 contributed pension scheme in Singapore named Central Provident Fund ("CPF"), contribution pension scheme in Malaysia named 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 and Malaysia. The sales of the Group are denominated in USD and SGD. The purchases of the Group are denominated in SGD, USD and MYR. The functional currency of the Group is SGD. As at 31 December 2019, the Group retains part of the proceeds from Listing in HKD and USD. 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

There were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies by the Group during FY2019. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 December 2019.

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.

USE OF NET PROCEEDS FROM THE LISTING

The Group completed its Listing and received net proceeds of approximately HK$95.2 million ("Net Proceeds"). The Net Proceeds has been and will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Applications of the Net Proceeds during the period from the Listing Date up to 31 December 2019 were as follows:

Use of Net Proceeds:	Planned use of Net Proceeds HKD'million	Amount utilized as at 31 December 2019 HKD'million	Unused amount as at 31 December 2019 HKD'million	Expected timeline for utilizing the remaining proceeds (Note i)
Expansion in production capacity (Note ii)	46.8	15.5	31.3	Before 31 December 2021
Greater production automation (Note ii)	29.1	10.7	18.4	Before 31 December 2021
Enhancing our information technology system	9.4	0.1	9.3	Before 31 December 2020
Improving quality assurance capabilities (Note ii)	2.7	–	2.7	Before 31 December 2021
Increasing marketing efforts (Note ii)	1.2	–	1.2	Before 31 December 2021
Working capital and general corporate purposes	6.0	6.0	–	
	95.2	32.3	62.9	

As at 31 December 2019 and the date of this report, the unutilized Net Proceeds were placed in interest-bearing deposits with licensed banks in Hong Kong and Singapore.

Note:

(i) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subjected to change based on current and future development of market conditions.

(ii) Due to US-China Trade War in 2019 and coronavirus outbreak in early 2020, the global economic environment becomes challenging and highly uncertain, our plan for expansion in production capacity, greater production automation, improving quality assurance capabilities and increasing market efforts will be postponed and expected to be completed before 31 December 2021 and their respective unutilized Net Proceeds are intended to be fully utilized for the same specific purpose before 31 December 2021.

EVENTS AFTER REPORTING PERIOD

Since January 2020, Singapore and Malaysia have reported certain confirmed cases of Novel Coronavirus ("COVID-19") which may affect the usual business environment of Singapore and Malaysia. The Group's manufacturing plant in Malaysia has been temporarily shut down starting from 18 March 2020 to 14 April 2020 to comply with the order of the Malaysian Government for curbing the spread of the COVID-19 epidemic in Malaysia. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date of this report.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Toe Tiong Hock（卓仲福）, aged 63, was appointed as the director ("Directors") 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. Mr. Toe also serves as director of certain subsidiaries of the Company.

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 61, 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. Ms. Wong also serves as director of certain subsidiaries of the Company.

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 44, 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 49, 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 Asset Management Limited, manager of Link Real Estate Trust, 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 52, 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. Mr. Bau has been appointed as an executive director of Chen Lin Education Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1593) which he also works as its chief financial officer, company secretary and authorized representative since 13 December 2019.

Prof. Pong Kam Keung（**龐錦強**）, aged 58, 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, a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in October 2008 and a Doctor of Philosophy from the Hong Kong Polytechnic University in September 2019. 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 & Sustainability 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 was an independent non-executive director of Wang Yang Holdings Limited, currently namely Central Holding Group Co. Ltd. (a company listed on the Main Board, stock code: 1735) from March 2018 to October 2019.

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) and HKE Holdings Limited, a company listed on the Stock Exchange (stock code: 1726) since October 2017 and March 2018, respectively.

SENIOR MANAGEMENT

Mr. Loh Soo Hwa（羅速華）, aged 50, 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 29, as known as "Mr. Kyson Toe", 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. Kyson Toe is the son of Mr. Toe Tiong Hock and Ms. Wong Yet Lian.

Mr. Kyson 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.

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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code on corporate governance practices.

During the year, 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 Singapore and 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, the disclosure in the corporate governance report 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. Kyson Toe.

The attendance records of the Directors for the regular Board, committees and general meetings of the Company for the year are as follows:

	Number of meetings attended/Number of meetings held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Directors					
Executive Director					
Mr. Toe Tiong Hock *(Chairman and CEO)*	5/5	N/A	N/A	2/2	1/1
Ms. Wong Yet Lian	5/5	N/A	3/3	N/A	1/1
Ms. Lim Siew Choo	5/5	N/A	N/A	N/A	1/1
Independent Non-Executive Director					
Mr. Ng Hung Fai Myron	5/5	3/3	N/A	2/2	1/1
Mr. Bau Siu Fung	5/5	3/3	3/3	N/A	1/1
Prof. Pong Kam Keung	5/5	3/3	3/3	2/2	1/1

In compliance with rule 3.10(2) of 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 (the "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 of the Board (the "Chairman") and the chief executive officer (the "CEO") of the Company are currently performed by Mr. Toe Tiong Hock. In view of Mr. Toe Tiong Hock substantial contribution to the Group for over 30 years and his extensive experience in the metal precision components market, the Board considers that having Mr. Toe Tiong Hock acting as both the Chairman and the CEO will provide strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies of the Group. The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions set out in the Listing Rules.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the year, according to the records provided by the Directors, the participation by each Director in the continuous professional development (the "CPD") was recorded as follows:

The executive Directors, Mr. Toe Tiong Hock, Ms. Wong Yet Lian and Ms. Lim Siew Choo, participated in CPD activities by ways of reading materials.

The INED, Mr. Bau Siu Fung, participated in CPD activities by ways of attending training.

The INEDs, Mr. Ng Hung Fai Myron and Prof. Pong Kam Keung, participated in CPD activities by ways of attending training or reading materials.

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 during the year.

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 the Group's remuneration policy and structure; and reviewed and approved the remuneration packages of the executive Directors and senior management of the Company and the interim report, the annual report, the result announcements and circular of the Company regarding the remuneration of the Directors.

Details of emoluments of the Directors for the year are disclosed in note 30(a) to the financial statements and the retirement benefit schemes are disclosed on note 30(b) 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.

During the year, the nomination committee reviewed the structure, size and composition of the Board and the policy and procedures for nomination of Directors and assessed 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 audited annual results for year ended 31 December 2018, unaudited interim results for the six months ended 30 June 2019 and discussed with the management on the accounting principles and practices and financial reporting process including the audited financial statements and unaudited interim financial statements.

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 2019 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$257,000 for annual audit fee and approximately S$50,000 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.

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 effectiveness 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 internal control systems of the Group during the first quarter of 2020, 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 outsourced 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, 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 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 ("Ms. Cheng") as the company secretary of the Company (the "Company Secretary") since 6 March 2018. Ms. Cheng resigned as the Company Secretary with effect from 1 June 2019 and Ms. Leung Hoi Yan ("Ms. Leung") was appointed as the Company Secretary with effect from 1 June 2019. Both, Ms. Cheng and Ms. Leung, have been working with BPO Global Services Limited. Its primary corporate contact person of the Company is Mr. Toe Tiong Hock, the Chairman and CEO of the Company.

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association, 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.

Before including a resolution to propose a person for election as a Director at general meeting, shareholders are requested to follow the Articles of Association. 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 Chairman and CEO 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).

During the year, there had been no significant change in the Company's constitutional documents.

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statement of the Group for FY2019.

The Company was incorporated in the Cayman Islands with limited liability on 5 February 2018 and its shares were listed on the Main Board of the Stock Exchange on 16 July 2018.

PRINCIPAL PLACE OF BUSINESS

The head office and principal place of business of the Company in Singapore 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 14 to the Financial Statements. There were no significant change in the Group's principal activities during FY2019.

RESULTS/BUSINESS REVIEW

The results of the Group for FY2019 and financial position of the Group as at 31 December 2019 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 FY2019, 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 FY2019, 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 FY2019 amounted to approximately S$20,000 (2018:S$49,000).

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 Wednesday, 3 June 2020 to Monday, 8 June 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 2 June 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during FY2019 are set out in note 15 to the Financial Statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries during FY2019 are set out in note 14 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 2019 was 1,000,000,000 ordinary shares ("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 FY2019 are set out in the "Consolidated Statement of Changes in Equity" on page 61 of this annual report.

As at 31 December 2019, the Company had reserves amounting to approximately S$58.6 million available for distribution.

SUMMARY OF FINANCIAL INFORMATION

A summary of the result and assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements is set out on pages 109 to 110 of this annual report. This summary does not form part of the audited financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2019 are set out in note 25 of the Financial Statements.

Report of the Directors

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
Ms. Wong Yet Lian
Ms. Lim Siew Choo

Independent non-executive Directors:

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

Mr. Toe Tiong Hock, being executive Director, and Mr. Bau Siu Fung, being independent non-executive Director, will retire by rotation and, being eligible, will offer themselves for election at the forthcoming annual general meeting of the Company, in accordance with Article 84 of the Company's amended and restated articles of association.

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 12 to 14 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 date of listing of the shares of the Company on the Stock Exchange on 16 July 2018 (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 three years, commencing from the Listing Date.

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 2019.

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 2019, 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 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 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 2019, 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/ interested in	Approximate percentage of issued share capital
Luxuriant East Limited ("Luxuriant East") (Note)	Beneficial owner	602,000,000	60.2%
Mr. Li Thet ("Mr. Li") (Note)	Interest in controlled corporation	602,000,000	60.2%

Note: Luxuriant East is directly wholly-owned by Mr. Li and Mr. Li therefore deemed to be interested in the Shares in which Luxuriant East is interested under the SFO.

Save as disclosed above, as at 31 December 2019, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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

Save for the related party transactions disclosed in note 28 to the Financial Statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, 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 FY2019.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company or any of its subsidiaries had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during FY2019.

CONNECTED/RELATED PARTY TRANSACTIONS

During FY2019, 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 28 to the Financial Statements. None of the related party transactions as disclosed constituted disclosable non-exempted connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules and the Company had complied with the relevant requirements of Chapter 14A of the Listing Rules during FY2019.

CHANGE OF CONTROLLING SHAREHOLDER AND THE OFFER

On 9 December 2019, KAL SG Limited and KYL SG Limited (together, the "Vendors"), Mr. Toe Tiong Hock and Ms. Wong Yet Lian (together, the "Former Controlling Shareholders") and both the executive directors of the Company, and Luxuriant East Limited ("Luxuriant East") (the "Current Controlling Shareholder") entered into the share purchase agreement ("Share Purchase Agreement"), pursuant to which the Vendors agreed to sell and Luxuriant East agreed to purchase a total of 602,000,000 Shares, representing approximately 60.20% of the entire issued share capital of the Company at that time, for a total consideration of HK$252,840,000 (equivalent to HK$0.42 per Share) ("Offer"). The completion of the Share Purchase Agreement took place on 20 December 2019. Since then Luxuriant East had become the controlling shareholder of the Company. Luxuriant East was required under the Code on Takeovers and Mergers in Hong Kong to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it at a price of HK$0.42 per Share. At the close of Offer on 13 February 2020 and up to the date of this annual report. Luxuriant East held 602,340,000 Shares, representing approximately 60.23% of the entire issued share capital of the Company.

NON-COMPETITION UNDERTAKING

Mr. Toe Tiong Hock, Ms. Wong Yet Lian, 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) (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 restricted period stated in the Deed of Non-Competition lapsed upon the completion on disposal of 602,000,000 Shares (60.2% of issued share capital of the Company) owned by KAL SG Limited and KYL SG Limited on 20 December 2019.

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 period from 1 January to 20 December 2019.

All independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition entered into by the Covenantors 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 FY2019.

COMPETING INTEREST

The Current Controlling Shareholders and the Former 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 FY2019.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance advisers, Sunfund Capital Limited ("Sunfund") for the period from 1 January to 27 May 2019 and First Shanghai Capital Limited ("First Shanghai") for the period from 28 May to 31 December 2019, except for the two compliance adviser agreements which were entered into between the Company and Sunfund dated 26 February 2018, the Company and First Shanghai dated 28 May 2019 respectively, none of Sunfund or First Shanghai, 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 2019.

The maximum number of shares which can be awarded under the Share Option Scheme is 10% the total number of Shares in issue as at the Listing Date unless the Company obtains the approval of the Shareholders in general meeting for refreshment. 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 FY2019.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2019, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 13.9% and 38.9% (2018: approximately 7.4% and 30.2%) 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 83.0% and 99.3% (2018: approximately 46.7% and 99.0%) respectively of the Group's total revenue for FY2019.

To the best of the Directors' knowledge, none of the Directors, nor its close associate (as defined in the Listing Rules), and none of the Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any 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. In addition to competitive salaries, the Group offers to our employees 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. The 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 long term business relationship with our major customers, 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 materials 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 materials 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 products, 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 FY2019.

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, there was sufficient public float in the Company's issued shares as required under the Listing Rules.

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

During FY2019, 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 FY2019 are set out in note 10 and 30 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 15 to 21 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 resolved not to recommend the payment of a final dividend for FY2019.

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.

AUDITOR

The Financial Statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

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,

Toe Tiong Hock
Executive Director and Chairman
30 March 2020

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the second Environmental, Social and Governance (the "ESG") Report of FSM Holdings Limited ("FSM", together with its subsidiaries, collectively the "Group"), presenting its ESG strategy and performance for the financial year from 1 January to 31 December 2019 (the "reporting period"). This report has been prepared in compliance with the "comply or explain" provision as well as the "recommended disclosures" of ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("HKEX"). For corporate governance section, please refer to the Corporate Governance Report on pages 15 to 21 in this Annual Report.

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

Reporting Boundary

The report boundary is determined based on the locations where the Group has major operation. Thus, the data and information in this report are in relation to the Group's five major subsidiaries, of which three are located in Singapore and two in Malaysia.

All information is originated from the Group's financial reports and official documents. Applying the principles of quantitative and consistency, data is checked and analysed to account for year-on-year changes, and is presented in a way that allows yearly comparison.

Ways to Reach Us

We value the feedback and comments from our stakeholders regarding the ESG report. You are welcome to send us your valuable opinion via the following means:

FSM Holdings Limited
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 of the report is available on HKEX's website and on our website: www.fsmtech.com

Environmental, Social and Governance Report

CEO MESSAGE

Dear Stakeholders,

It is my pleasure to present the Group's second ESG report, which reflects the efforts we put in for sustainable development in 2019. The Group has undertaken a number of initiatives towards better ESG management, shouldering its share of environmental and social responsibility.

2019 was a challenging year for the Group because of the heightened trade tensions between the United States and China. In the face of this change in operating environment, the Group has made strong efforts to enhance production competency, a key sustainability topic to drive product quality and customer satisfaction. In conjunction with our quality management system which has been ISO 9001-certified for decades, in 2019, the Group has embarked on implementation of an Enterprise Resource Planning ("ERP") system to improve the efficiency of its production and management. We are convinced that only by optimizing our internal management and upgrading technologies can we continuously enhance our goods and services and build trust in our customers and maintain sustainable operations.

We recognize that the production process inevitably leads to harmful impacts on the environment. We have adopted an ISO-standard environmental management system and are committed to improving our energy efficiency and ensure minimum impact is caused by our operations.

With a firm mindset of safe production, the Group always puts workforce occupational health and safety, a key risk with significant impact to us, as its priority. In 2019, the Group was certified for BisSAFE Level 4 by the Workplace Safety and Health Council of Singapore which recognizes its efforts for maintaining occupational health and safety ("OHS") standards, taking a major step in managing this risk. Throughout our day-to-day operations, we implement measures to ensure that our employees are not exposed to hazards at the workplace.

Sustainability is a long journey and there is much more to be done. Looking ahead, the Group will work closely with its stakeholders including investors, employees, customers, business partners, etc., refining its product quality and shouldering its corporate social responsibility. I would like to take this opportunity to thank all our stakeholders for their unceasing support during the year.

30 March 2020
FSM Holdings Limited
Toe Tiong Hock
Executive Director & CEO

Environmental, Social and Governance Report

ESG MANAGEMENT APPROACH

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

We have been gradually integrating ESG aspects into our daily operations to optimise resources use efficiency, enhance production competency and reduce cost. The Group's ESG management is overseen by the Board and senior management, with responsibility of identifying and managing key environmental and social topics cascading down to responsible department heads.

Stakeholder Engagement

Sustainability is about balancing the interests of all our stakeholders. It is, therefore, for us to regularly engage with our internal and external stakeholders to enhance our understanding of their respective interests and concerns through various communication channels. Not all ESG topics are equally critical to our operation, we attach more importance to risks or opportunities that are the stated priorities for our stakeholders according to the materiality principle, listed below.

Stakeholders	Issues of Concern	Engagement Channels	Corresponding Sections
Customers	• Product safety • Customer satisfaction • Data privacy	• Company website • Feedback by phone • Formal process for handling complaints	• Quality Assurance • Customer Experience • Data Privacy
Employees	• Career development and training • Remuneration • Occupational Health and Safety	• Staff meetings • Annual appraisals	• Training and Development • Employment • Health and Safety
Community	• Environmental protection • Contribution to the community	• Compliance with applicable laws and regulations • Support charity organisations	• Environmental Management • Community Contribution
Suppliers	• Third party risk management	• Website for prospective suppliers • Responses to supplier inquiries	• Supply Chain Management
Government	• Legitimacy of service and business ethics • Employee protection • Tax compliance	• Compliance with applicable laws and regulations	• Culture of Probity and Honesty • Employment
Investors and shareholders	• Corporate governance • Business operations • Information disclosure	• Annual reports and interim reports • Press releases	• Culture of Probity and Honesty • Data Privacy

OPERATIONAL EXCELLENCE

Our customers depend on FSM's products and services to advance and enhance their business operations. Therefore, ensuring high quality throughout the manufacturing and delivery process and building trust with customers are our top priorities.

Quality Assurance

As a manufacturer and supplier of highly complex and precise products and services, consistent high quality is what we have been striving to achieve. We maintain an ISO 9001-standard Quality Management System and have established a Quality Control Team to ensure that our manufacturing processes adhere to the standard operating procedures stipulated in our Quality Procedure.

Under the Quality Management System, our Quality Control Team conducts quality testing at various stages throughout the production process to ensure quality production and delivery. Any defects are noted as non-conformance in the non-conformance report and reworks are carried out immediately.

First article production

Conduct comprehensive quality inspection

Any defects are noted as non-conformance in the non-conformance report

In-coming material

Review suppliers based on quality

Conduct physical and visual inspection of materials and outsourced parts

Return substandard materials for replacement

Production process

Ensure compliance with standard operating procedures

Conduct quality testing at each key production stage to ensure conformity with customer specifications

Out-going products

Conduct sample testing to ensure the products are complied with our quality standards

Advanced Machinery and Technology

The Group invests in resources to upgrade its machines and robotics, continually improving the overall production capability, automation and accuracy. Most of our machinery is highly flexible and therefore we are able to offer products and services tailored to our customers' specific needs.

In 2019, the Group embarked on implementation of an ERP system to improve the efficiency of its production and management. The installation of ERP system allows proper and efficient maintenance of documentation and records on quality control activities with fewer manual processes, facilitating the quality assurance process and reducing production cycle time.

5-axis milling machine

Robotic welding machine

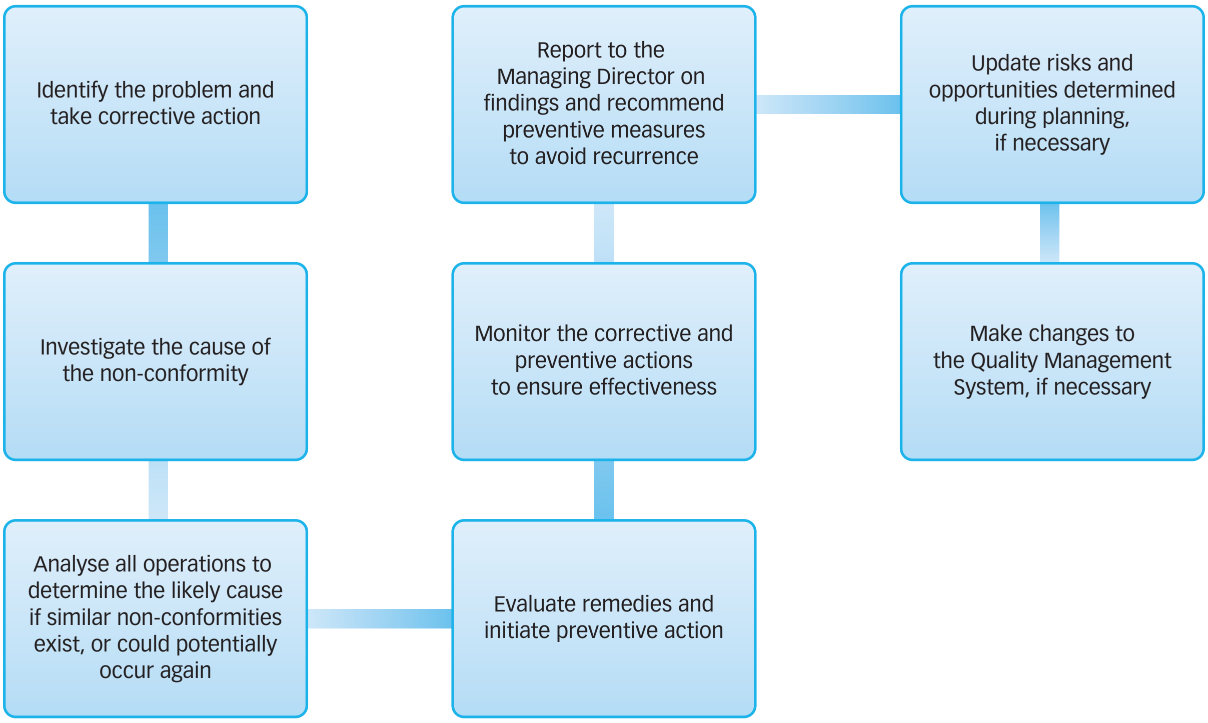
Laser welding machine

Coordinate machine

Customer Experience

All our products are tailored to suit specific requirements of individual customers. Communication with our customers is of great importance throughout the manufacturing process. A project manager is assigned to each customer. Together with our Engineering Department, the project manager works closely with the customer and provides feedback at stages of designing, manufacturing, testing and assembling, and provides after-sales technical support at later stages. The project manager also communicates 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, the Quality Control Department head or a management representative immediately initiated corrective actions. 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 investigate the problem through the following procedures:



During the reporting period, the Group was not aware of any non-compliance 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.

Supply Chain Management

Maintaining amicable relationships and building close partnerships with our suppliers and subcontractors constitute the key for us to deliver quality products. The Group primarily engages with suppliers of materials and subcontractors who perform some of the post-treatment processes in our business operations. As of the year ended on 31 December 2019, the Group engages 668 suppliers, of which 516 suppliers are located in Singapore and 152 suppliers are in Malaysia.

The Group selects suppliers who share its values and demonstrate responsible practices while delivering high-quality goods and services, based on our Approved Vendors List. To shortlist and approve candidate suppliers, internal assessments are conducted based on factors that include quality of products or services, skills, delivery time and reputation. Our Quality Procedures ensure proper selection of suppliers, clear and accurate purchasing data, and verification of purchased materials.

The Group's Quality Control Department performs physical and visual quality checks for all produced materials and parts produced by subcontractors, before proceeding to the final assembly process. By doing so, we ensure all produced materials and outsourced parts meet the standards of the Group. Any substandard materials are returned to the supplier for replacement.

The Group engages with its suppliers and subcontractors through ongoing meetings and discussions for new offerings, returns and product quality improvement. A Group representative reviews the performance of our suppliers on a monthly basis. If a supplier fails to meet our expectations and fails to improve within two months, then we determine the need to remove such suppliers from our Approved Vendors List.

Intellectual Property Protection

The Group respects intellectual property rights and has internal policies in place to safeguard intellectual property rights of its customers as well as its own. Our Quality Procedures outline the procedures that need to be followed under our intellectual property rights system. A data protection officer is specifically assigned to ensure that our intellectual property rights are protected, and that the non-disclosure agreements with customers, employees and suppliers are properly executed.

In addition, we provide annual intellectual property rights control training to all our employees, which is given by managers or authorised 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.

Data Privacy

Our employees are the critical line of defence against threats to data security and privacy. During daily operations, they may receive or handle confidential information including those protected under the Personal Data Protection Act 2012 ("PDPA") in Singapore. We require employees to sign the "Pledge of Confidentiality" and strictly follow our internal policies to ensure information confidentiality. Our data protection officer is responsible for receiving and handling inquiries regarding our personal data protection policies and procedures.

To safeguard its employees' privacy against unauthorised access, the Group has established a Data Protection Policy for Employees in accordance with PDPA. Under the policy, we disclose personal data only internally or to our authorised third parties on a need-to-know basis. During our quarterly management meetings, we remind managers to be careful in handling data and not to leak out confidential information to unrelated parties. To protect sensitive information from external interception or acquisition, we maintain up-to-date antivirus and encryption software and use privacy filters to secure all storage and transmission of personal data.

Culture of Probity and Honesty

The Group has zero tolerance for bribery, extortion, fraud and money laundering. To ensure that our employees follow the highest moral and ethical standards, we regularly remind the staff of ethical practices, including the need to declare gifts or money received from suppliers. The Employee Handbook of the Group clearly defines bribe as an inducement or reward offered that is intended to influence a business decision to gain commercial or personal advantage. All employees must avoid any unethical activity; any person found to have violated the Group's Policy faces disciplinary action and may be dismissed for gross misconduct.

During the reporting period, the Group was not aware of any non-compliance 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

Amid the pursuit of business growth, the Group is committed to giving back to the communities where we have operations. During the reporting period, the Group has made donations of S$20,000 to Loving Heart Multi-Service Centre in Singapore to support the education and living of underprivileged children. In time, the Group will strengthen its role as a responsible corporate citizen and play a bigger role in enabling the development of vulnerable segments of the society.

OUR PEOPLE

Health and Safety

The Group sees employees' health and safety as one of its top priorities; it is the Group's responsibility to provide a safe and healthy working environment to employees.

The Group strictly complies with relevant laws and regulations at locations where it has operations, including but not limited to 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. To safeguard the health and safety of all employees, contractors and visitors at our facilities, the Group has executed an internal Workplace Safety and Health Policy and put in place a committee comprising members from all departments to oversee the safety and health issues through regular meetings. We are also certified for BisSAFE Level 4 by the Workplace Safety and Health Council in Singapore which recognizes our efforts for maintaining OHS standards.

Our OHS Goal

We are committed to achieving zero workplace injury and accidents by using all available resources. During the reporting period, we recorded 0 cases of work-related fatalities, 1 work-related accident, 2 injured employees, and 45 lost person days. We are determined to maintain the record of zero fatalities and do our utmost to achieve zero injuries.

Workplace Safety

The Group strives to eliminate all possible workplace hazards to ensure workplace safety. Besides having an Emergency Plan for Fire and an Emergency Response Plan in place to manage and prevent fire and other emergencies such as hazardous materials, we have set yellow/black zones in factory areas where safety risks exist and make sure the zones are clear of obstacles. Our lifting equipment is certified to comply with all requirements pertaining to lifting equipment as stipulated in the Workplace Safety and Health (General Provisions) Regulations. During the reporting period, the Emergency Response Team conducted a fire evacuation drill with involvement of all employees.

For safety in machine operations, we allow only trained staff to operate machines, and all operating staff must perform work in accordance with our Machining Department Safety Rules. In addition, we provide factory workers with adequate personal protective equipment such as goggles, gloves, safety shoes and uniforms and require them to wear the same when performing tasks.

During the year, there was no significant impact on the Group relating to work-related accidents or injured employees.

Safety Training

Training forms an integral part of the Group's safety management. We provide safety training to our operating staff to make sure they are equipped with essential skills for operating the machines and to enhance their awareness regarding occupational safety. In compliance with the Employment of Foreign Manpower Act in Singapore, we ensure that all foreign workers have undergone the required safety training and that their certificates are valid. In 2019, we delivered a total of approximately 146.5 hours of training to our employees covering OHS topics.

During the reporting period, the Group was not aware of any non-compliance of relevant laws 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 nurturing its people so that they can excel in their current roles and are equipped with skills for future roles. In accordance with our Training and Development Policy, the Human Resources Department determines staff training and development needs in consultation with the department heads, arranges appropriate training and assesses the training outcome. Employees can also communicate their training needs to their department heads during performance reviews and apply for funding of their further education when they see a need. During the reporting period, we delivered approximately 237 training hours to our employees.

Training for New Hires	On-the-job Training
All new employees undergo orientation programmes jointly conducted by the Human Resources Department, job supervisor and department head, to help them better understand the Group's policies, job responsibilities, health and safety requirements, etc.	The Group provides on-the-job training to improve technical competence and work efficiency of its employees, including mentoring, coaching, job rotation, instructor-led courses, conferences and seminars.

Employees' Rights and Welfare

To attract, motivate and retain quality employees, The Group provides competitive remuneration and welfare packages 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, and we review the performance of employees annually for promotion appraisals. Our department managers draw career development plans for their staff and suggest suitable training during the annual appraisal to enhance their promotion opportunities.

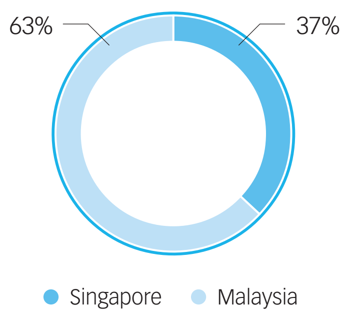
The Group recruits talents from the open market to ensure equal employment opportunities for all. At the same time, we take rigorous measures to prohibit recruitment of child labour or forced labour. To safeguard the interests of both the employees and the Group, employees appointed are given a copy of an appointment letter or employment contract on or before commencing work, listing the terms and conditions agreed by both parties. The Group's Executive Leadership Team is responsible for making or approving policies or decisions.

Striving to create an open and trusting working atmosphere free of inequality, discrimination and harassment, the Group has zero tolerance on any forms of discrimination, on grounds of race, social status, nationality, religion, disability or sexual orientation. Employees can report grievances via the procedures articulated in the Group's Employee Handbook.

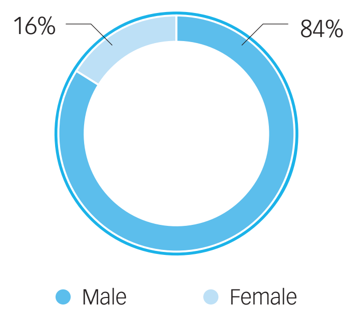
Employee Profile

As of the end of December 2019, the Group employs 147 people, of which 55 are located in Singapore and 92 in Malaysia. The male to female ratio is 84:16. Approximately 49% and 44% of our workforce is aged 31-50 years and below 31 years, respectively. In terms of education profile, approximately 3% of them are with bachelor's degree or above.

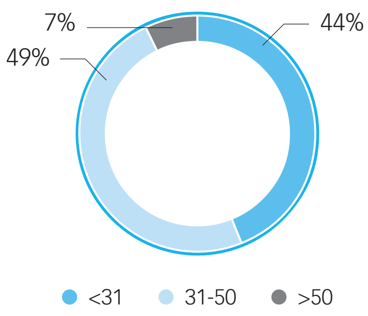
Employee Profile, by Geographical Region



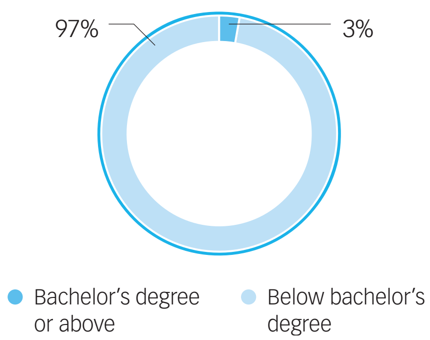
Employee Profile, by Gender



Employee Profile, by Age

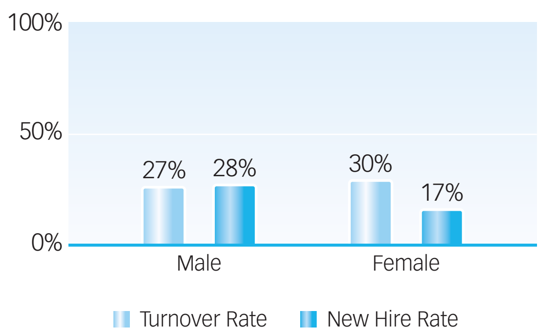


Employee Profile, by Education

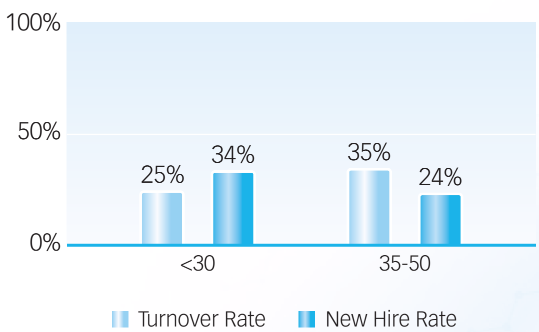


During the reporting period, the overall turnover and new hire rates of the Group were approximately 28% and 27%, respectively. The distribution of turnover and new hire rates by gender and age is depicted in the charts below.

Turnover and New Hire Rates, by Gender



Turnover and New Hire Rates, by Age



Environmental, Social and Governance Report

The Group strictly complies with all relevant labour laws and regulations including but not limited to 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.

During the reporting period, the Group was not aware of any non-compliance 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 preventing child or forced labour.

ENVIRONMENTAL MANAGEMENT

Being one of the leading sheet metal and precision machining companies based in Singapore, the Group recognises environmental management as an integral part of its business operations. To maintain a stringent environmental control at production, we have implemented an environmental policy with 4Cs principles: commitment, compliance, communication and continual improvement.

Commitment	Compliance	Communication	Continual Improvement
To prevent pollution by minimising environmental impacts of operations	To ensure compliance with applicable laws and regulations	To enhance environmental awareness of internal and external stakeholders	To make continual improvement to reduce environmental risks, wastes and resources consumption
We are certified for ISO 14001:2015 (Environmental Management System)	We comply with the Environmental Public Health Act in Singapore and the Environmental Quality Act 1974 in Malaysia	We post reminders at prominent places to enhance employees' awareness	We have set reduction targets on electricity, water and plastic consumption

The Group's Environmental Policy

During the reporting period, the Group was not aware of any non-compliance 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

We are committed to making continual improvements to minimise our environmental impacts. The Group has set annual reduction targets of 10% on consumption of three major resources, electricity, water and plastic wraps. The consumptions are monitored regularly, and relevant initiatives are implemented in order to achieve the targets.

Electricity	Water	Plastic Wrap
• Turn off electrical appliances and machinery when they are not in use • Report any breakdown of equipment or lighting system • Maintain equipment regularly • Set temperature of air conditioners at 23℃ or above	• Check leaks in taps or pipes regularly • Reuse water if possible • Encourage employees to come up with ideas to reduce consumption • Post reminders to enhance employees' awareness	• Standardise the packaging methods • Reuse the packaging materials if possible • Use cardboard as an alternative on pallets for delivery to customers instead of bubble wrap

Resources Reduction Initiatives

The specific resources required at different production stages are listed in the graph below. Along the entire production process, electricity, water, diesel and refrigerant are used, and their consumption status is shown in this section. We have purchased large machineries in 2019 which led to increase in water, refrigerant and coolant consumption.

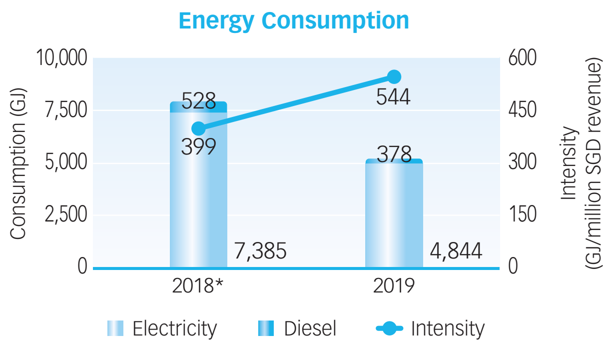
Primary Processing	Secondary Processing	Post-treatment Processing
• Oxygen gas: laser assist gas • Acetylene gas: fuel supply	• Argon & nitrogen gases: welding	• Bubble & film wraps: packaging materials

Resources Consumed at Three Production Stages

Energy

Operations of the Group consume energy in various forms including electricity and diesel for vehicles and forklifts. Approximately 5,222 gigajoules ("GJ") was consumed during the reporting period, with purchased electricity and diesel accounting for 93% and 7% respectively. The energy intensity was 544 GJ per million SGD revenue.

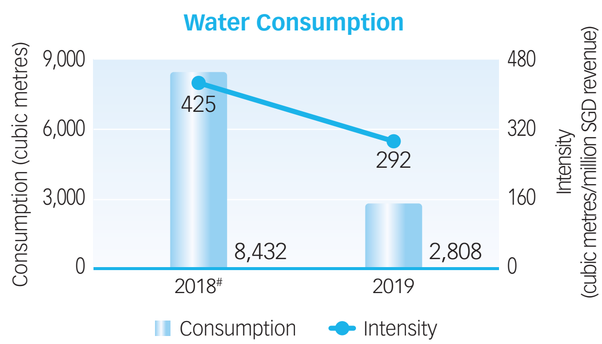
Electricity consumption of about 1,345,676 kWh is attributable to regular operations of machineries in the production sites and electrical appliances in the offices, while approximately 8.86 tonnes of diesel was consumed for logistics purposes.



* Data is revised to include electricity data from operations in Malaysia in 2018.

Water

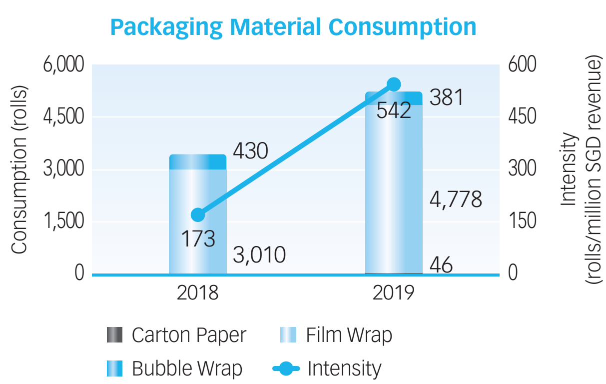
The Group used approximately 2,808 cubic metres of municipal water during the reporting period, and its intensity was about 292 cubic metres per million SGD revenue. There were no issues on sourcing of water during the reporting period.



2018 data is restated

Packaging materials

Plastic packaging materials used in our operations included 381 rolls of bubble wrap, 4,778 rolls of film wrap and 46 rolls of carton paper during reporting period. The intensity was approximately 542 rolls per million SGD revenue.



Air Emission & Waste

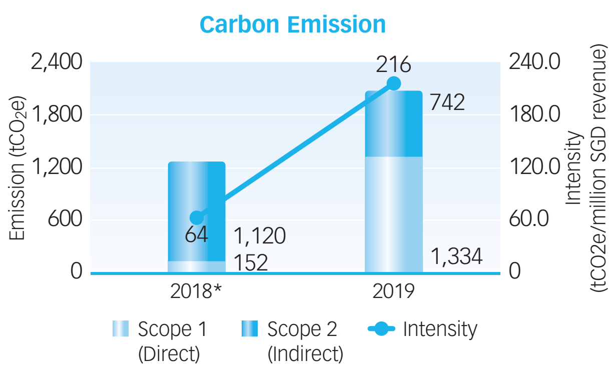
Air emission

The Group emitted directly (Scope 1) and indirectly (Scope 2) greenhouse gases ("GHG") during sheet metal manufacturing processes and office operations. Direct emissions refer to GHG emissions sources from diesel combustion by company vehicles and forklifts, refills of refrigerant and from laser-cutting and welding processes, while indirect emissions involve electricity consumed at operational sites.

The total GHG emissions amounted to approximately 2,076 tonnes of carbon dioxide equivalent ("tCO_2e") during the reporting period. The carbon emission intensity was 216 tCO_2e per million SGD revenue. There were about 1,334 tCO_2e Scope 1 (direct) and 742 tCO_2e Scope 2 (indirect) emissions.

The increase in refrigerant refills and inclusion of electricity consumption in Malaysia this year attributed to higher direct and indirect carbon emissions. Other than the existing initiatives listed in section headed "Resources Consumption" in this ESG report, we constantly explore opportunities to optimize resources efficiency to limit our carbon footprint without compromising the commitment to deliver consistent and quality products to customers.

Diesel consumption by company vehicles for logistics purposes emitted approximately 0.17 kg of sulphur oxides (SOx), 145 kg of nitrogen oxides (NOx) and 12.9 kg of particulate matters (PM) during the reporting period.

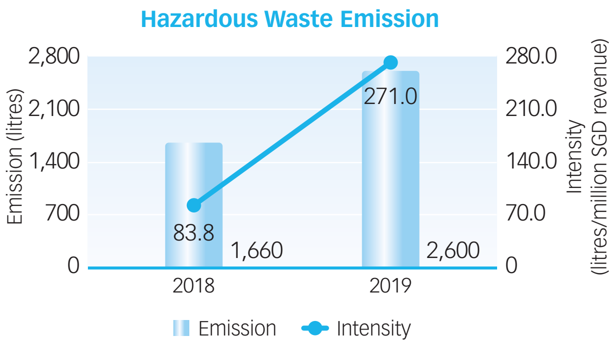


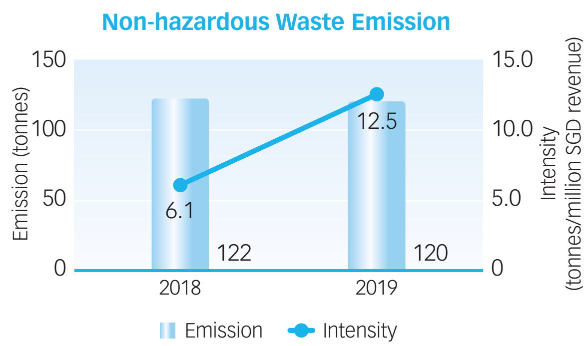
* Data is revised to include electricity data from operations in Malaysia in 2018.

Waste

As stated in the Waste Management Policy, waste is segregated into hazardous and non-hazardous; the former mainly involves coolants and the latter includes plastic packaging materials and scrap metals. The Head of Production/Operations or Administrative Department of the Group arranges licensed operators for disposal, reuse, recycling and resell.

During the reporting period, the Group generated about 2,600 litres of hazardous (coolant) and 120 tonnes of non-hazardous waste (scrap metal) at different production stages, and the emission intensities were 271 litres per million SGD revenue and 12.5 tonnes per million SGD revenue, respectively.





Environmental Emergency Management

To minimise the impacts in the event of an emergency on employees, public and the environment, the Group has implemented internal policies for regulating the related issues. The Management Representative and the Emergency Response Members of the Group are responsible for following these processes to respond to potential emergency events.

The Group's Emergency Preparedness and Response Policy

Prevent	Respond	Review
• To identify potential emergency situations • To establish a system for planning to prevent or mitigate adverse environmental impacts from emergency situations • To provide relevant training on emergency preparedness and response (e.g. emergency drill) to employees	• To raise the alarms to alert everyone when a threat is discovered • To shut down machines and evacuate immediately	• To revise the processes and planned response actions, in particular, after the occurrence of emergency situations or tests

PERFORMANCE DATA SUMMARY

		Unit	2019	2018
Workforce Demographics	**By Geographical Distribution**			
	Singapore		**55**	64
	Malaysia		**92**	87
	By Age			
	<31		**65**	66
	31-50		**72**	74
	>50		**10**	11
	By Gender			
	Male		**124**	125
	Female		**23**	26
	By Education Level			
	Bachelor's degree or above		**4**	9
	Below bachelor's degree		**143**	142
	By Function			
	Production		**126**	105
	Office		**15**	24
	Managerial		**6**	8
	Others		**0**	14
	Employees' Turnover Rate		**28%**	44%
	By Gender			
	Male		**27%**	45%
	Female		**30%**	38%
	By Age			
	<31		**25%**	Not applicable^
	31-50		**35%**	Not applicable^
	>50		**0%**	Not applicable^
	Employees' New Hire Rate		**27%**	34%
	By Gender			
	Male		**28%**	33%
	Female		**17%**	38%
	By Age			
	<31		**34%**	Not applicable^
	31-50		**24%**	Not applicable^
	>50		**0%**	Not applicable^

^ This data was beyond the data collection boundary in 2018. We have been optimising our data collection approach and have disclosed our relevant performance in this 2019 ESG report.

		Unit	2019	2018
Health and Safety	Work-related accidents		**1**	Not applicable^
	Injured employees		**2**	Not applicable^
	Lost days due to work injury		**45**	Not applicable^
	Work-related fatalities		**0**	Not applicable^
	Safety training	hours	**146.5**	Not applicable^
Employees Training	**Total Hours of training**	hours	**237**	Not applicable^
	By Gender			
	Male	hours	**211**	Not applicable^
	Female	hours	**26**	Not applicable^
	By Function			
	Production	hours	**179.5**	Not applicable^
	Office	hours	**31.5**	Not applicable^
	Managerial	hours	**31.0**	Not applicable^
Supply Chain Management	**Total Number of Suppliers**		**668**	Not applicable^
	By Geographical Regions			
	Singapore		**516**	Not applicable^
	Malaysia		**152**	Not applicable^
Community	**Donation**	S$	**20,000**	49,000

^ This data was beyond the data collection boundary in 2018. We have been optimising our data collection approach and have disclosed our relevant performance in this 2019 ESG report.

		Unit	2019	2018
Environment	**Total Resources Consumption**			
	Energy	GJ	**5,222**	7,913*
	Electricity	kWh	**1,345,676**	2,051,415*
	Diesel	tonnes	**8.86**	12.40
	Municipal water	cubic metres	**2,808**	8,432.28#
	Bubble wrap	rolls	**381**	430
	Film wrap	rolls	**4,778**	3,010
	Carton paper	rolls	**46**	Not applicable^
	Intensity			
	Energy	GJ/million SGD revenue	**544**	399*
	Water	cubic metres/million SGD revenue	**292**	425#
	Packaging materials	rolls/million SGD revenue	**542**	173
	Emissions			
	Sulphur oxides (SOx)	kg	**0.17**	0.24
	Nitrogen oxides (NOx)	kg	**145**	Not applicable^
	Particulate matters (PM)	kg	**12.9**	Not applicable^
	Greenhouse Gases Emissions			
	Total GHG emissions	tCO_2e	**2,076**	1,272*
	Scope I	tCO_2e	**1,334**	152
	Scope II	tCO_2e	**742**	1,120*
	Intensity			
	GHG emissions	tCO_2e/million SGD revenue	**216**	64*
	Waste			
	Hazardous waste	litres	**2,600**	1,660
	Non-hazardous waste	tonnes	**120**	122
	Intensity			
	Hazardous waste	litres/million SGD revenue	**271**	83.8
	Non-hazardous waste	tonnes/million SGD revenue	**12.5**	6.1

2018 data is restated.
^ This data was beyond the data collection boundary in 2018. We have been optimising our data collection approach and have disclosed our relevant performance in this 2019 ESG report.
* Data is revised to include electricity data from operations in Malaysia in 2018.

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.	Air Emission
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Air Emission
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Waste
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Waste
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Resources Consumption, Air Emission
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Resources Consumption, Waste
Aspect A2: Use of Resources	**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.		Environmental Management
	KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Energy
	KPI A2.2	Water consumption in total and intensity.	Water
	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.	Resources Consumption, Water
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging materials
Aspect A3: The Environment and Natural Resources	**General Disclosure** Policies on minimizing the issuers' significant impact on the environment and natural resources.		Environmental Emergency Management, Air emission, Waste
	KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Emergency Management, Air emission, Waste

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 related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employees' Rights and Welfare
	KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Employee Profile
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Employee Profile
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 B2.1 Number and rate of work-related fatalities.	Performance Data Summary
	KPI B2.2 Lost days due to work injury.	Performance Data Summary
	KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and 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

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B5: Supply Chain Management	**General Disclosure** Policies on managing environmental and social risks of the supply chain	Supply Chain Management
	KPI B5.1 Number of suppliers by geographical region.	Supply Chain Management
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
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, Customer Experience, Data Privacy
	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, Customer Experience
	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 reporting period, 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

pwc

羅兵咸永道

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 2019;
- 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 2019, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2.21 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 2019. The Group recognised revenue from sales of goods and services to multiple customers amounted to approximately S$9,609,000 for the year ended 31 December 2019. 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 and evaluated the Group's key internal controls over sales process and its revenue recognition policies. We tested the controls surrounding sales transactions, by performing 3-way match between customer purchase or sales orders, delivery documents and invoices, on a sampling basis. For the samples selected, we inspected delivery documents and ensured customer acknowledged the receipt of goods in saleable condition and invoices billed were reviewed prior to recording to the accounting system. We tested the sales transactions, on a sampling 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 payments made by the customers. Furthermore, we tested the sales transactions that took place shortly before and after the balance sheet date, on a sampling basis, to assess whether these sales transactions were recognised in the correct reporting periods. Our work also included testing of samples of revenue-related journal entries selected based on risk-based 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 tested were recognised in a manner consistent with the Group's revenue recognition accounting policies.

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, 30 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 S$'000	2018 S$'000
Revenue	6	**9,609**	19,848
Cost of sales	9	**(6,844)**	(11,241)
Gross profit		**2,765**	8,607
Other income	7	**53**	55
Other losses	8	**(1)**	(38)
Selling and distribution expenses	9	**(184)**	(209)
Administrative expenses	9	**(2,289)**	(5,473)
Operating profit		**344**	2,942
Finance income		**197**	59
Finance costs		**(92)**	(50)
Finance income/(costs), net	11	**105**	9
Profit before income tax		**449**	2,951
Income tax expense	12	**(390)**	(899)
Profit for the year attributable to owners of the Company		**59**	2,052
Earnings per share for profit attributable to owners of the Company (expressed in Singapore cents per share)	13		
– basic and diluted		**0.01**	0.24

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 2019

	2019 **S$'000**	2018 S$'000
Profit for the year	**59**	2,052
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**1**	(20)
Other comprehensive income/(loss) for the year, net of tax	**1**	(20)
Total comprehensive income for the year attributable to owners of the Company	**60**	2,032

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 2019

	Note	2019 S$'000	2018 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**15,828**	13,387
Right-of-use assets	16	**597**	–
Intangible assets		**47**	–
Prepayments	19	**–**	1,940
		16,472	15,327
Current assets			
Inventories	18	**2,990**	1,937
Trade and other receivables	19	**2,089**	2,537
Pledged bank deposits	20	**711**	654
Short-term bank deposits	20	**11,780**	9,520
Cash and cash equivalents	20	**11,649**	15,481
		29,219	30,129
Total assets		**45,691**	45,456
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**1,695**	1,695
Reserves	23	**21,192**	21,191
Retained earnings	23	**16,565**	16,767
Total equity		**39,452**	39,653

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 S$'000	2018 S$'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	**848**	270
Lease liabilities	16	**718**	–
Deferred income tax liabilities	21	**1,413**	1,098
Provision	24	**72**	72
		3,051	1,440
Current liabilities			
Trade and other payables	24	**2,142**	2,698
Current income tax liabilities		**85**	680
Borrowings	25	**827**	485
Lease liabilities	16	**74**	–
Amounts due to directors	28(e)	**60**	500
		3,188	4,363
Total liabilities		**6,239**	5,803
Total equity and liabilities		**45,691**	45,456

The consolidated financial statements on pages 57 to 108 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Toe Tiong Hock
Director

Wong Yet Lian
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share capital S$'000 (Note 22)	Reserves S$'000 (Note 23)	Retained earnings S$'000	Total equity S$'000
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
Balance at 1 January 2019 as originally presented		**1,695**	**21,191**	**16,767**	**39,653**
Effect of adoption of IFRS 16	2.2	**–**	**–**	**(261)**	**(261)**
Balance at 1 January 2019		**1,695**	**21,191**	**16,506**	**39,392**
Comprehensive income					
Profit for the year		**–**	**–**	**59**	**59**
Other comprehensive income for the year, net of tax					
Currency translation differences		**–**	**1**	**–**	**1**
Total comprehensive income for the year		**–**	**1**	**59**	**60**
Balance at 31 December 2019		**1,695**	**21,192**	**16,565**	**39,452**

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 2019

	Note	2019 S$'000	2018 S$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	**642**	5,024
Interest paid		**(53)**	(50)
Income tax paid		**(670)**	(310)
Net cash (used in)/generated from operating activities		**(81)**	4,664
Cash flows from investing activities			
Purchase of property, plant and equipment		**(978)**	(1,666)
Purchase of intangible assets		**(48)**	–
Proceeds from disposals of property, plant and equipment		**10**	1
Changes in short-term and pledged bank deposits		**(2,317)**	(10,174)
Interest received		**197**	–
Net cash used in investing activities		**(3,136)**	(11,839)
Cash flows from financing activities			
Payment of bank loan	26(b)	**(149)**	(143)
Payment for obligation under hire purchase liabilities	26(b)	**(413)**	(95)
Payment for lease liabilities	26(b)	**(110)**	–
Repayment to director		**–**	(330)
Issuance of shares		**–**	22,457
Dividends paid to directors		**–**	(2,023)
Payment for professional fee in connection with IPO		**–**	(2,179)
Net cash (used in)/generated from financing activities		**(672)**	17,687
Net (decrease)/increase in cash and cash equivalents		**(3,889)**	10,512
Cash and cash equivalents at beginning of the year		**15,481**	4,884
Currency translation differences		**57**	85
Cash and cash equivalents at end of the year	20	**11,649**	15,481

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

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.

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 Solution Pte. Ltd. ("FSM Manufacturing Solution (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 immediate and ultimate holding companies of the Company were KAL SG Limited and KYL SG Limited respectively. The ultimate controlling parties of the Group were Mr. Toe and Mrs. Toe until 20 December 2019. On 20 December 2019, Luxuriant East Limited, a company incorporated in the British Virgin Islands, became the ultimate holding company of the Company and the ultimate controlling party of the Company was changed to Mr. Li Thet.

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. Certain prior year comparative figures have been reclassified to conform to the current year presentation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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 2018.

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.

(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 2019 and have been adopted in the preparation of the consolidated financial statements.

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to Annual Improvement Projects	Annual improvements 2015-2017 cycle
IFRIC 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the reporting period ended 31 December 2018, as permitted under the specific transitional provisions in the standard.

Apart from IFRS 16 as mentioned above, there are no other new standards or amendments to standards that are expected to have a material impact on the Group in the prior and current reporting periods.

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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
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

These standards and amendments are not expected to have a material impact on the Group's current or future reporting periods and on foreseeable future transactions.

2.2 Change in accounting policies

IFRS 16 Leases

As indicated in note 2.1 above, the Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the reporting period ended 31 December 2018, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet as at 1 January 2019.

Upon adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.6%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policies (Continued)

IFRS 16 Leases (Continued)

The following table presents the reconciliation of lease liabilities as at 1 January 2019:

	S$'000
Operating lease commitments disclosed as at 31 December 2018	1,797
Discounted using the lessee's incremental borrowing rate of 4.6% at the date of initial application	(928)
Less: short-term/low value leases not recognised as on a straight-line basis as expenses	(6)
Lease liabilities recognised as at 1 January 2019	863
Of which are:	
Current lease liabilities	71
Non-current lease liabilities	792
	863

The associated right-of-use assets comprising land use rights were measured on a retrospective basis as if the new rules had always been applied.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increase by S$602,000
- lease liabilities – increase by S$863,000

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policies (Continued)

IFRS 16 Leases (Continued)

The following table presents the reconciliation of lease liabilities as at 1 January 2019: (Continued)

The net impact on retained earnings on 1 January 2019 was a decrease of S$261,000.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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, and the liabilities incurred to the former owners of the acquire 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 acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation (Continued)

2.3.1 Subsidiaries (Continued)

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 acquire 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 equity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' 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 expenses 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 acquire is re-measured to fair value at the acquisition date; any gains or lossess arising from such re-measurement are recognised in profit or loss.

Transactions with non-controlling interests that do no result in 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 disposal to non-controlling interests are also recorded in equity.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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".

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2.8).

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

2.7 Intangible assets

Separately acquired licences are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. The Group amortises the intangible assets with a limited useful life using the straight-line method over 6 years.

2.8 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets

(a) Classification

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", together with foreign exchange gains and losses.

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 recognised as other losses 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(d) Impairment

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.

2.10 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.

2.11 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.

2.12 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.

2.13 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 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.

2.16 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.

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.

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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.

2.20 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.

2.21 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.

A 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

(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.

2.22 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.

2.23 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is disclosed in note 2.2.

Until 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on a rate
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment, i.e. photocopiers.

2.24 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.

2.25 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Government grants (Continued)

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.

2.26 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.

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 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Had S$ be strengthened/weakened by 2% for the year ended 31 December 2019 against US$ with all other variables held constant, the Group's post-tax profit for the year would have been approximately S$261,000 lower/higher (2018: S$265,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of US$-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 2019 against HKD with all other variables held constant, the Group's post-tax profit for the year would have been approximately S$94,000 lower/higher (2018: S$105,000 lower/higher), 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 200 basis points fluctuated with all other variables held constant, the Group's post-tax profit for the year ended 2019 would have been lowered by S$4,000 (2018: S$9,000).

(b) Credit risk

Credit risk arises from cash at bank, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(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 12 month before 31 December 2019 or 1 January 2019 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. The receivable balance which past due more than 120 days is less than S$1,000 as at 31 December 2019 (2018: less than S$1,000), therefore the Group has deemed the credit loss to be insignificant.

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.

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 2019						
Trade payables	**–**	**1,022**	**–**	**–**	**–**	**1,022**
Other payables	**–**	**1,120**	**–**	**–**	**–**	**1,120**
Borrowings	**222**	**644**	**643**	**223**	**–**	**1,732**
Lease liabilities	**–**	**114**	**117**	**378**	**462**	**1,071**
Amount due to director	**–**	**60**	**–**	**–**	**–**	**60**
At 31 December 2018						
Trade payables	–	1,109	–	–	–	1,109
Other payables	–	1,589	–	–	–	1,589
Borrowings	371	124	124	155	–	774
Amounts due to director	–	500	–	–	–	500

The table summarise the maturity analysis of the Group's bank loan 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:

	2019 S$'000	2018 S$'000
Within 1 year	**164**	163
Between 1 and 2 years	**69**	163
Between 2 and 5 years	**–**	70
	233	396

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 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings and lease liabilities divided by total equity as shown in statement of financial position.

The gearing ratios as at 31 December 2019 and 2018 were as follows:

	2019 **S$'000**	2018 S$'000
Total borrowings and lease liabilities	**2,467**	755
Total equity	**39,452**	39,653
Gearing ratio	**6.3%**	1.9%

The gearing ratio increased from 1.9% to 6.3% following the adoption of IFRS 16. Both debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See note 2.2 for further information.

3.3 Fair value estimation

The Company has no significant financial instruments other than trade and other receivables, trade and other payables, cash and cash equivalent, short-term deposits, pledged bank deposits, borrowings, lease liabilities and amounts due to directors. 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 continuously 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. Certain 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 recognises 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. The 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 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 revenue is mainly derived from sales to customers in Singapore. As at 31 December 2019, the Group's non-current assets other than financial instruments located out of Singapore (mainly in Malaysia) amounted to S$3,912,000 (2018: S$3,555,000).

5 SEGMENT INFORMATION (CONTINUED)

Information about major customers

For the year ended 31 December 2019, revenue generated from the top two customers accounted for approximately 93% (2018: approximately 89%) of the total revenue for the Group. Other individual customers accounted for less than 10% of revenue for the years ended 31 December 2019 and 2018.

	2019 S$'000	2018 S$'000
Customer A	**7,978**	9,267
Customer B	**988**	8,361
	8,966	17,628

6 REVENUE

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

	2019 S$'000	2018 S$'000
Sale of goods	**9,427**	19,237
Services	**182**	611
	9,609	19,848

7 OTHER INCOME

	2019 S$'000	2018 S$'000
Government grant	**19**	20
Scrap sales	**22**	31
Others	**12**	4
	53	55

8 OTHER LOSSES

	2019 S$'000	2018 S$'000
Foreign exchange losses	**(1)**	(38)

9 EXPENSES BY NATURE

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

	2019 S$'000	2018 S$'000
Cost of inventories sold	**1,136**	4,363
Employee benefit expenses (including directors' emoluments) (Note 10)	**2,930**	3,864
Depreciation charge for property, plant and equipment and right-of-use assets (Note 15 and 16)	**1,954**	1,446
Amortisation of intangible assets	**1**	–
Operating lease expense in respect of land and buildings	**–**	104
Operating lease expense in respect of short-term lease	**46**	–
Utilities expenses	**269**	419
Subcontractor fees	**1,198**	1,382
Repair and maintenance of property, plant and equipment	**333**	377
Freight expenses	**133**	243
Auditor's remuneration		
– Audit services	**257**	275
– Non-audit services	**50**	7
Listing expenses	**–**	3,861
Legal and professional fee	**408**	345
Professional fees relating to general offer	**194**	–
Others	**408**	237
	9,317	16,923
Represented by:		
Cost of sales	**6,844**	11,241
Selling and distribution expenses	**184**	209
Administrative expenses	**2,289**	5,473
	9,317	16,923

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 S$'000	2018 S$'000
Wages, salaries and allowances	**2,641**	3,595
Defined contribution plans	**231**	193
Others	**58**	76
	2,930	3,864

(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 30(a) during the year ended 31 December 2019 (2018: two). The emoluments payable to the remaining three individuals (2018: three) are as follows:

	2019 S$'000	2018 S$'000
Wages, salaries and allowances	**228**	265
Defined contribution plans	**41**	35
	269	300

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$1 to HK$500,000 (equivalent to S$1 to S$85,100)	**–**	1
HK$500,001 to HK$1,000,000 (equivalent to S$85,101 to S$170,200)	**3**	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

	2019 S$'000	2018 S$'000
Finance costs:		
Bank loan	**(14)**	(19)
Bank overdraft	**–**	(19)
Hire purchase liabilities	**(39)**	(12)
Lease liabilities	**(39)**	–
	(92)	(50)
Finance income:		
Bank deposits	**197**	59
Finance income/(costs), net	**105**	9

12 INCOME TAX EXPENSE

Singapore and Malaysia income tax has been provided at the rate of 17% and 17% on the estimated assessable profit for the year ended 31 December 2019 (2018: 17% and 24%). No overseas income 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 (2018: Nil).

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

	2019 S$'000	2018 S$'000
Current income tax	**182**	696
Deferred income tax (Note 21)	**315**	210
Over provision in prior years	**(107)**	(7)
Income tax expense	**390**	899

12 INCOME TAX EXPENSE (CONTINUED)

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

	2019 S$'000	2018 S$'000
Profit before income tax	**449**	2,951
Tax calculated at tax rate of 17% (2018: 17%)	**76**	502
Different tax rates in other countries	**–**	11
Over provision in prior years	**(107)**	(7)
Income not subjected to tax	**(31)**	(47)
Expenses not deductible for tax purposes	**485**	781
Tax incentive (Note 1)	**(16)**	(285)
Partial tax exemption (Note 2)	**(17)**	(46)
Others	**–**	(10)
Income tax expense	**390**	899

Notes:

(1) Tax incentive for the year ended 31 December 2019 related to Corporate Income Tax tax rebate of 25% of the corporate tax payable, subject to a cap of S$15,000 and tax deduction for donations by the Singapore Tax Authority which allow entities to claim 250% tax deduction on qualifying donations.

(2) In Singapore, 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$190,000 of normal chargeable income for the year ended 31 December 2019 (2018: 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.

	2019	2018
Profit attributable to owners of the Company (S$'000)	**59**	2,052
Weighted average number of ordinary shares in issue (thousands)	**1,000,000**	865,753
Basic earnings per share (Singapore cents)	**0.01**	0.24

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 which took place in relation to the Company's initial public offering and listing of shares on the Main Board had been effective from 1 January 2018.

13 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

For the years ended 31 December 2019 and 2018, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

14 SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2019 are as follows:

Name of subsidiaries	Place 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
Concept Planet Limited	BVI, 26 November 2019	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 Solution (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
Concept Planet (HK) Limited	Hong Kong, 31 December 2019	1 share of HK$1 each	100%	Investment holding

15 PROPERTY, PLANT AND EQUIPMENT

	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 2018					
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
Year ended 31 December 2019					
Opening net book amount	**7,994**	**5,083**	**158**	**152**	**13,387**
Additions	**2,319**	**2,025**	**56**	**–**	**4,400**
Disposals	**–**	**(8)**	**–**	**(2)**	**(10)**
Depreciation (Note 9)	**(285)**	**(1,526)**	**(111)**	**(27)**	**(1,949)**
Closing net book amount	**10,028**	**5,574**	**103**	**123**	**15,828**
As at 31 December 2019					
Cost	**13,143**	**16,911**	**1,200**	**816**	**32,070**
Accumulated depreciation	**(3,115)**	**(11,337)**	**(1,097)**	**(693)**	**(16,242)**
Net book value	**10,028**	**5,574**	**103**	**123**	**15,828**

16 LEASES

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2019 S$'000	1 January 2019 S$'000
Right-of-use assets		
Land-use rights	**597**	602
Lease liabilities		
Current	**74**	71
Non-current	**718**	792
	792	863

There was no addition to the right-of-use assets during the year ended 31 December 2019.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 S$'000	2018 S$'000
Depreciation charged of right-of-use assets		
Land-use rights	**(5)**	–
Interest expenses (included in finance cost)	**(39)**	–
Expenses relating to short-term leases (included in cost of goods sold and administrative expenses)	**(46)**	–

The total cash outflow for leases in 2019 was S$110,000.

(iii) The Group's leasing activities and how these are accounted for

The Group rents land from the Singapore Government. Rental contracts are typically made for fixed periods of 20 to 30 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

16 LEASES (CONTINUED)

(iv) Extension and termination options

Extension and termination options are included in the land leases across the Group. The terms are used to maximise operational flexibility in terms of managing contracts.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 S$'000	2018 S$'000
Financial assets		
Financial assets measured at amortised cost		
– Trade and other receivables	**2,016**	2,415
– Cash and cash equivalents	**11,649**	15,481
– Short-term bank deposits	**11,780**	9,520
– Pledged bank deposits	**711**	654
	26,156	28,070
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**2,142**	2,698
– Borrowings	**1,675**	755
– Lease liabilities	**792**	–
– Amounts due to directors	**60**	500
	4,669	3,953

18 INVENTORIES

	2019 S$'000	2018 S$'000
Raw materials	**1,455**	1,161
Finished goods	**1,535**	776
	2,990	1,937

The cost of inventories included in cost of sales amounted to S$1,136,000 for the year ended 31 December 2019 (2018: S$4,363,000).

19 TRADE AND OTHER RECEIVABLES

	2019 S$'000	2018 S$'000
Non-current		
Prepayments for property, plant and equipment	–	1,940
Current		
Trade receivables	1,917	2,257
Less: loss allowance	–	–
Trade receivables, net	1,917	2,257
Prepayments	73	122
Deposits	87	96
Other receivables	12	62
	2,089	2,537
	2,089	4,477

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:

	2019 S$'000	2018 S$'000
0 to 30 days	1,153	1,256
31 to 60 days	305	816
61 to 90 days	455	81
Over 90 days	4	104
	1,917	2,257

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 for trade receivables as at 31 December 2019.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2019 S$'000	2018 S$'000
United States dollars	**441**	1,034
Singapore dollars	**1,609**	1,571
Malaysia ringgit	**39**	1,872
	2,089	4,477

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, SHORT-TERM AND PLEDGED BANK DEPOSITS

	2019 S$'000	2018 S$'000
Short-term bank deposits	**11,780**	9,520
Cash at banks and on hand	**11,649**	15,481
	23,429	25,001
Pledged bank deposits	**711**	654
	24,140	25,655

The maximum exposure to credit risk at the end of the reporting period is the book carrying value of 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 2019 bear interests at an average rate of 1.93% per annum.

20 CASH AND CASH EQUIVALENTS, SHORT-TERM AND PLEDGED BANK DEPOSITS (CONTINUED)

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

	2019 **S$'000**	2018 S$'000
United States dollars	**15,291**	15,285
Singapore dollars	**2,996**	3,740
Malaysia ringgit	**202**	334
Hong Kong dollars	**5,648**	6,293
Japanese yen	**3**	3
	24,140	25,655

21 DEFERRED INCOME TAX

	2019 **S$'000**	2018 S$'000
Deferred income tax liabilities		
To be settled after more than 12 months	**(1,413)**	(1,098)

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

	Tax losses	
	2019 **S$'000**	2018 S$'000
Deferred income tax assets		
Beginning of the year	**–**	101
Charged to the consolidated statements of profit or loss (Note 12)	**–**	(101)
End of the year	**–**	–

21 DEFERRED INCOME TAX (CONTINUED)

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

	Accelerated tax depreciation	
	2019	2018
	S$'000	S$'000
Deferred income tax liabilities		
Beginning of the year	**(1,098)**	(989)
Charged to the consolidated statements of profit or loss (Note 12)	**(315)**	(109)
End of the year	**(1,413)**	(1,098)

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 and 31 December 2019	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	–
Share issued pursuant to the Reorganisation (Note (ii))	12,751,802	22
Share issued pursuant to the Capitalisation (Note (iv))	737,248,196	1,250
Share issued pursuant to the Listing (Note (v))	250,000,000	423
At 31 December 2018 and 31 December 2019	1,000,000,000	1,695

22 SHARE CAPITAL (CONTINUED)

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 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 share at par value, credited and fully paid, to KYL SG.

(iii) On 22 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 aspects 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 capitalize 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 shareholdings (the "Capitalisation")

(v) On 16 July 2018, the Company issued 250,000,000 ordinary shares of HK$0.01 each at 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$'000	Merger reserve S$'000	Exchange reserve S$'000	Retained earnings S$'000	Total S$'000
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	18,605	2,594	(8)	16,767	37,958
Balance at 1 January 2019 as originally presented	**18,605**	**2,594**	**(8)**	**16,767**	**37,958**
Effect of adoption of IFRS 16	**–**	**–**	**–**	**(261)**	**(261)**
Balance at 1 January 2019	**18,605**	**2,594**	**(8)**	**16,506**	**37,697**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**59**	**59**
Other comprehensive income for the year, net of tax					
Currency translation differences	**–**	**–**	**1**	**–**	**1**
Balance at 31 December 2019	**18,605**	**2,594**	**(7)**	**16,565**	**37,757**

24 TRADE AND OTHER PAYABLES AND PROVISION

	2019 S$'000	2018 S$'000
Non-current		
Provision for reinstatement cost	**72**	72
Current		
Trade payables	**1,022**	1,109
Other payables and accruals		
– Accrued expenses	**910**	719
– Others	**210**	870
	2,142	2,698
Total	**2,214**	2,770

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

	2019 S$'000	2018 S$'000
0 to 30 days	**368**	334
31 to 60 days	**270**	402
61 to 90 days	**143**	144
Over 90 days	**241**	229
	1,022	1,109

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:

	2019 S$'000	2018 S$'000
Singapore dollars	**1,152**	2,104
US dollars	**13**	384
Malaysia Ringgit	**977**	210
	2,142	2,698

25 BORROWINGS

	2019 S$'000	2018 S$'000
Bank loan	**222**	371
Hire purchase liabilities	**1,453**	384
Total borrowings	**1,675**	755
Of which		
Current liabilities	**827**	485
Non-current liabilities	**848**	270
	1,675	755

Repayment schedules of the Group's bank loan repayable are as follows:

	2019 S$'000	2018 S$'000
Within 1 year	**156**	149
Between 1 and 2 years	**66**	156
Between 2 and 5 years	**–**	66
	222	371

Repayment schedules of the Group's hire purchase liabilities are as follows:

	2019 S$'000	2018 S$'000
Within 1 year	**605**	114
Between 1 and 2 years	**626**	118
Between 2 and 5 years	**222**	152
	1,453	384

25 BORROWINGS (CONTINUED)

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

	2019	2018
Bank loan	**4.71%**	4.57%
Hire purchase liabilities	**3.42%**	3.31%

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

The bank loan was secured by corporate guarantee provided by the Company, and legal charges of two properties held by the Group in 12 Tuas Link 1 Singapore 638595 and 15 Tuas South Street 1 Singapore 638064, with total carrying amount of S$6,900,000 as at 31 December 2019 (2018: S$7,100,000), while the hire purchase liabilities were secured by the machinery.

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

26 CASH FLOW INFORMATION

(a) Cash generated from operations

	2019 S$'000	2018 S$'000
Profit before income tax	**449**	2,951
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (Note 9)	**1,954**	1,446
Amortisation of intangible assets (Note 9)	**1**	–
Unrealised foreign exchange gain	**(56)**	(83)
Finance costs (Note 11)	**92**	50
Finance income (Note 11)	**(197)**	(59)
Operating profit before working capital changes	**2,243**	4,305
Changes in working capital:		
– inventories	**(1,053)**	(421)
– trade and other receivables	**448**	2,021
– trade and other payables	**(556)**	(1,381)
– amount due to directors	**(440)**	500
Cash generated from operations	**642**	5,024

26 CASH FLOW INFORMATION (CONTINUED)

(b) Net debt reconciliation

	Liabilities from financing activities			
	Bank loan	**Hire Purchase liabilities**	**Lease liabilities**	**Amounts due to shareholder**
	S$'000	S$'000	S$'000	S$'000
As at 1 January 2018	514	–	–	330
Inception of liabilities (note (i))	–	467	–	–
Cash flows	(181)	(95)	–	(330)
Interest expenses	38	12	–	–
As at 31 December 2018	371	384	–	–
Recognised on adoption of IFRS 16 (see note 2.2)	–	–	863	–
As at 1 January 2019	**371**	**384**	**863**	**–**
Inception of liabilities (note (i))	**–**	**1,482**	**–**	**–**
Cash flows	**(163)**	**(452)**	**(110)**	**–**
Interest expenses	**14**	**39**	**39**	**–**
Net debt as at 31 December 2019	**222**	**1,453**	**792**	**–**

Note:

(i) The acquisition of machinery by hire purchase arrangement in 2019 of S$1,482,000 was a non-cash transaction (2018: S$467,000).

27 COMMITMENTS

Operating lease commitments – Group as lessee

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

From 1 January 2019, the Group has recognised right-of-use assets for these leases, see note 16 for further information.

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

	2019 **S$'000**	2018 S$'000
Not later than 1 year	–	113
Later than 1 year and not later than 5 years	–	492
Later than 5 years	–	1,192
	–	1,797

28 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended 31 December 2019 and 2018:

Name of related parties	Relationship with the Group
Mr. Toe	Director (2018: Controlling Shareholder)
Mrs. Toe	Director (2018: Controlling Shareholder)
Mr. Kyson Toe	Child of director (2018: Child of Controlling Shareholder)
Ms. Toe Yun Xu	Child of director (2018: Child of Controlling Shareholder)
Ms. Toh Yun Han	Child of director (2018: 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 2019 and 2018.

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	2019 S$'000	2018 S$'000
Emolument payable or paid to – Children of director	**203**	175

(c) Transactions with the director

	2019 S$'000	2018 S$'000
Repayments to the director	**–**	(330)

(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 30(a) to the consolidated financial statements.

(e) Amounts due to directors

The amounts due to directors are denominated in Singapore dollars, interest-free and unsecured.

Amounts due to director amounting to S$60,000 as at 31 December 2019 (2018: S$500,000) represented remunerations payable to the directors There is no transaction or balance with related companies or corporations outside of the Group.

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2019 S$'000	As at 31 December 2018 S$'000
ASSETS			
Non-current asset			
Investment in subsidiaries		**44,915**	44,915
		44,915	44,915
Current assets			
Amount due from subsidiaries		**3,193**	15,800
Prepayments		**26**	–
Short-term bank deposits		**11,780**	–
Cash and cash equivalents		**529**	189
		15,528	15,989
Total assets		**60,443**	60,904
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,695**	1,695
Reserves	(a)	**63,498**	63,498
Accumulated losses	(a)	**(4,879)**	(4,289)
Total equity		**60,314**	60,904
Current liabilities			
Accruals		**129**	–
Total liabilities		**129**	–
Total equity and liabilities		**60,443**	60,904

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2020 and was signed on its behalf.

Toe Tiong Hock
Director

Wong Yet Lian
Director

29 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 23)	(1,250)	–	–	(1,250)
Issue of shares pursuant to the Listing (Note 23)	22,034	–	–	22,034
Transaction costs attributable to the Listing (Note 23)	(2,179)	–	–	(2,179)
Balances at 31 December 2018	18,605	44,893	(4,289)	59,209
Balances at 1 January 2019	**18,605**	**44,893**	**(4,289)**	**59,209**
Total comprehensive loss				
Loss for the year	**–**	**–**	**(590)**	**(590)**
Balances at 31 December 2019	**18,605**	**44,893**	**(4,879)**	**58,619**

As at 31 December 2019 and 2018, the Company has authorised share capital of HK$20,000,000, divided into 2,000,000,000 shares of HK$0.01 each.

30 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remunerations of the directors for the years ended 31 December 2019 and 2018 are set out below:

	Fee	Salaries	Other allowances and benefits in kind	Discretionary bonuses	Defined contribution pension costs	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	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
For the year ended 31 December 2019							
Executive directors							
Mr. Toe *(Chairman & CEO)* (Note (i))	**–**	**330**	**–**	**–**	**18**	**–**	**348**
Mrs. Toe (Note (i))	**–**	**250**	**–**	**–**	**14**	**–**	**264**
Ms. Lim Siew Choo (Note (i))	**–**	**22**	**–**	**–**	**3**	**–**	**25**
Independent non-executive directors							
Mr. Ng Hung Fai Myron (Note (ii))	**21**	**–**	**–**	**–**	**–**	**–**	**21**
Mr. Bau Siu Fung (Note (ii))	**21**	**–**	**–**	**–**	**–**	**–**	**21**
Prof. Pong Kam Keung (Note (ii))	**21**	**–**	**–**	**–**	**–**	**–**	**21**
	63	**602**	**–**	**–**	**35**	**–**	**700**
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. Pong Kam Keung (Note (ii))	21	–	–	–	–	–	21
	338	577	–	–	39	–	954

30 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 2019 and 2018.

(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 2019 (2018: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 December 2019 (2018: 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 2019 (2018: 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 28, 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 2019 (2018: Nil).

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

Save as disclosed in the Note 28, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019 (2018: Nil).

31 SUBSEQUENT EVENT

Since January 2020, Singapore and Malaysia have reported certain confirmed cases of Novel Coronavirus ("COVID-19") which may affect the usual business environment of Singapore and Malaysia as a whole. The Group's manufacturing plant in Malaysia has been temporarily shut down starting from 18 March to 14 April 2020 to comply with the order of the Malaysian Government for curbing the spread of the COVID-19 epidemic in Malaysia. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date of this report.

Summary of Financial Information

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

	2019 **S$'000**	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000
Revenue	**9,609**	19,848	20,791	12,598	18,531
Cost of sales	**(6,844)**	(11,241)	(12,215)	(8,561)	(11,599)
Gross profit	**2,765**	8,607	8,576	4,037	6,932
Other income	**53**	55	92	115	108
Other (losses)/gains, net	**(1)**	(38)	(100)	254	507
Selling and distribution expenses	**(184)**	(209)	(244)	(212)	(251)
Administrative expenses	**(2,289)**	(5,473)	(1,823)	(1,530)	(1,689)
Operating profit	**344**	2,942	6,501	2,664	5,607
Finance income	**197**	59	–	1	–
Finance costs	**(92)**	(50)	(39)	(61)	(82)
Finance income/(costs), net	**105**	9	(39)	(60)	(82)
Profit before income tax	**449**	2,951	6,462	2,604	5,525
Income tax (expense)/credit	**(390)**	(899)	(324)	(360)	60
Profit for the year attributable to owners of the Company	**59**	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	**1**	(20)	15	39	(42)
Other comprehensive (loss)/income for the year, net of tax	**1**	(20)	15	39	(42)
Total comprehensive income for the year attributable to owners of the Company	**60**	2,032	6,153	2,283	5,543

Summary of Financial Information

	2019 S$'000	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000
ASSETS AND LIABILITIES					
Non-current assets	**16,472**	15,327	13,969	10,253	11,269
Current assets	**29,219**	30,129	13,555	13,567	11,071
Total assets	**45,691**	45,456	27,524	23,820	22,340
Non-current liabilities	**3,051**	1,440	1,058	1,183	1,340
Current liabilities	**3,188**	4,363	9,145	4,681	5,327
Total liabilities	**6,239**	5,803	10,203	5,864	6,667
Total equity	**39,452**	39,653	17,321	17,956	15,673

Note 1: The summary above does not form part of the audited financial statements.

Note 2: As a result of the adoption of IFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.