FSM Holdings Limited

(incorporated under the laws of Cayman Islands with limited liability)

(Stock Code: 1721)

(the "**Company**")

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2018 amounted to approximately S$19.8 million, representing a decrease of approximately 4.8% as compared to approximately S$20.8 million for the year ended 31 December 2017.

- Profit for the year ended 31 December 2018 amounted to approximately S$2.1 million, representing a decrease of approximately 65.6% as compared to profit of approximately S$6.1 million for the year ended 31 December 2017.

- Profit for the year ended 31 December 2018 excluding one off listing expenses amounted to approximately S$6.3 million, representing an increase of approximately S$0.2 million as compared to profit of approximately S$6.1 million for the year ended 31 December 2017.

- Earnings per share attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately 0.24 Singapore cents (0.72 Singapore cents excluding one off listing expenses) as compared to earnings per share approximately 0.82 Singapore cents for the year ended 31 December 2017.

The Board of Directors (the "**Board**") of the Company is pleased to announce the audited results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *S$'000*	2017 *S$'000*
Revenue	4	**19,848**	20,791
Cost of sales	7	**(11,241)**	(12,215)
Gross profit		**8,607**	8,576
Other income	5	**55**	92
Other losses, net	6	**(38)**	(100)
Selling and distribution expenses	7	**(209)**	(244)
Administrative expenses	7	**(5,473)**	(1,823)
Operating profit		**2,942**	6,501
Finance income		**59**	–
Finance costs		**(50)**	(39)
Finance income/(costs), net	8	**9**	(39)
Profit before income tax		**2,951**	6,462
Income tax expense	9	**(899)**	(324)
Profit for the year attributable to owners of the Company		**2,052**	6,138
Earnings per share for profit attributable to owners of the Company during the year (expressed in Singapore cents per share)	10		
– basic and diluted		**0.24**	0.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	**2018** *S$'000*	2017 *S$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**13,387**	11,086
Prepayments	12	**1,940**	2,782
Deferred income tax assets		**–**	101
		15,327	13,969
Current assets			
Inventories		**1,937**	1,516
Trade and other receivables	12	**2,537**	4,499
Pledged bank deposit		**654**	–
Short-term bank deposits		**9,520**	–
Cash and cash equivalents		**15,481**	7,540
		30,129	13,555
Total assets		**45,456**	27,524
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**1,695**	–
Reserves		**21,191**	2,606
Retained earnings		**16,767**	14,715
		39,653	17,321
Non-controlling interest		**–**	–
Total equity		**39,653**	17,321

	Note	2018	2017
		S$'000	*S$'000*
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**270**	–
Deferred income tax liabilities		**1,098**	989
Provision	14	**72**	69
		1,440	1,058
Current liabilities			
Trade and other payables	14	**2,698**	5,344
Borrowings		**371**	3,170
Current income tax liabilities		**680**	301
Obligations under finance leases		**114**	–
Amounts due to shareholders		**500**	330
		4,363	9,145
Total liabilities		**5,803**	10,203
Total equity and liabilities		**45,456**	27,524

NOTES

1 GENERAL INFORMATION, REORGANISATION

1.1 General information

The Company was incorporated in the Cayman Islands on 5 February 2018 as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") principally engage in precision engineering service and sheet metal fabrication business (the "**Business**").

Prior to the incorporation of the Company and the completion of a reorganisation (the "**Reorganisation**") in preparation for the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited ("**the Main Board**"), the Group's business was operated by Fine Sheetmetal Technologies Pte. Ltd. ("**Fine Sheetmetal Technologies**"), FSM Manufacturing Solutions Pte. Ltd. ("**FSM Manufacturing Solutions (SG)**"), Evercoat Technology Pte. Ltd. ("**Evercoat Technology**"), FSM Technology Pte. Ltd. ("**FSM Technology (SG)**"), FSM Manufacturing Solutions Sdn. Bhd. ("**FSM Manufacturing Solutions (MY)**") and FSM Technologies (M) Sdn. Bhd. ("**FSM Technologies (MY)**") (collectively, the "**Operating Subsidiaries**"), which are companies incorporated in Singapore or Malaysia and controlled by Mr. Toe Tiong Hock ("**Mr. Toe**") and Ms. Wong Yet Lian ("**Mrs. Toe**") ("**the Controlling Shareholders**"). The Reorganisation was completed on 22 June 2018 and since then, the Company became the holding company of the Operating Subsidiaries and all other companies now comprising the Group.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

Immediately prior to the Reorganisation, the Group's business was primarily conducted through the Operating Subsidiaries. Pursuant to the Reorganisation, the Group's business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Group business with no change in management and the ultimate owners of the Group's business remain substantially the same.

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

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also required management to exercise its judgment 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 2018 and have been adopted in the preparation of the consolidated financial statements.

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

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

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

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

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

		Effective for annual periods beginning on or after
Amendments to IFRS 9	Prepayment features with negative compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to Annual Improvements Projects	Annual improvements 2015-2017 cycle	1 January 2019
Amendments to IAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced by IASB

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

IFRS 16, "Leases"

Under IFRS 16, lessees are required to recognise lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under IAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees.

The Group is a lessee of certain land and buildings from third parties which are currently classified as operating leases. The Group's current accounting policy for such leases is to record the rental expenses in Group's consolidated statement of profit or loss for the current year with the disclosure of related future minimum lease payments as operating lease commitments.

As at 31 December 2018, the Group's total non-cancellable operating lease commitments amounted to S$1,797,000. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statement of financial position. In the consolidated statement of profit or loss, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. Given that the total non-cancellable operating lease commitments account for 31.0% of the total liabilities of the Group as at 31 December 2018, the directors of the Company expect that the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial positions. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group's financial performance and position.

2.2 Change in accounting policies

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

(a) IFRS 9 "Financial Instruments"

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

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

(i) Classification and measurement

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

The Group's financial assets classified as loans and receivables meet the conditions for classification at amortised costs under IFRS 9. Therefore, there were no changes to the classification and measurement of the financial assets. There is no impact on the Group's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

(ii) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

3 SEGMENT INFORMATION

The Chief Operating Decision Maker ("**CODM**") monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The CODM of the Group are Mr. Toe and Mrs. Toe.

The CODM monitors the performance of the Group based on profit after income tax. The CODM considers all business is included in a single operating segment.

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

Information about major customers

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

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

4 REVENUE

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

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

5 OTHER INCOME

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

6 OTHER LOSSES, NET

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

7 EXPENSES BY NATURE

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

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

8 FINANCE INCOME/(COSTS), NET

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

9 INCOME TAX EXPENSE

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

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

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

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

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

Notes:

(i) Tax incentive relates to (i) Productive and Innovation Credit Scheme by the Singapore Tax Authority which allow entities to claim 400% tax deduction on qualifying expenditures from the years of assessment 2011 to 2018, and (ii) tax deduction for donations by the Singapore Tax Authority which allow entities to claim 300% tax deduction on qualifying donations.

(ii) Partial tax exemption relates to 75% tax exemption of the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$290,000 of normal chargeable income.

10 EARNINGS PER SHARE

(a) Basic

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

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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per shares has been determined on the assumption that the Reorganisation and Capitalisation Issue as described in Note 13 had been effective from 1 January 2017.

(b) Diluted

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

11 DIVIDENDS

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

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

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

12 TRADE AND OTHER RECEIVABLES

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

The Group normally grants credit terms to its customers ranging from 30 to 90 days. The ageing analysis of these trade receivables based on invoice date is as follows:

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is no significant impact of loss allowance on 1 January 2018 for trade receivables.

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

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

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

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

13 SHARE CAPITAL

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

Notes:

(i) On 5 February 2018, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, one share of the Company was issued and allotted to the initial subscriber and was subsequently transferred to KAL SG Limited ("**KAL SG**") at par value. On the same date, the Company issued and allotted one fully paid share to KYL SG Limited ("**KYL SG**"). KAL SG and KYL SG are companies controlled and owned by Mr. Toe and Mrs. Toe.

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

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

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

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

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

14 TRADE AND OTHER PAYABLES AND PROVISION

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. For the periods in review, we generally produced and supplied customised sheet metal products to our customers. We also provided precision machining services to semi-finished products of our customers.

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

Singapore's manufacturing sector expanded 5.1% in the fourth quarter of 2018, bringing full-year growth to 7.2% in 2018, with 5.2% drop in the precision engineering and 1.1% drop in the general manufacturing sub-sector in the fourth quarter of 2018. The manufacturing sector of Singapore remains an important sector for Singapore with it comprising 21.4% of the nominal GDP for Singapore's economy for 2018[1].

Market drivers of the metal precision components market in Singapore include (i) Singapore government's initiatives to improve manufacturing process and output in the country; (ii) Singapore's drive for Industry 4.0 to enable digitalisation and automation of production processes to enhance efficiency and long-term competitiveness; and (iii) Singapore government's initiatives to support research and development over the next few years.

Having considered the above, we intend to (i) expand the scale of our operation by increasing our production capacity; (ii) achieve better production efficiency by implementing greater production automation; (iii) enhance our information technology system; (iv) improve our quality assurance capability; and (v) increase our marketing effort.

REVENUE

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

[1] *Source: Department of Statistics, Government of Singapore*

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

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

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

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

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

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

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

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

COST OF SALES

Our cost of sales primarily consists of direct material costs, direct labour costs, subcontracting costs and manufacturing overheads. The following table sets out a breakdown of our cost of sales for the relevant periods:

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

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

Direct material costs comprises purchase costs of sheet metal, standard parts and consumables. For the two years ended 31 December 2017 and 2018, direct material costs accounted for approximately S$3.7 million and S$3.5 million, representing 30.3% and 31.3% of the total cost of sales for the corresponding periods, respectively.

Direct labour costs are the largest component of our cost of sales and comprise salaries and related costs of our employees involved in our manufacturing process. For the two years ended 31 December 2017 and 2018, direct labour costs accounted for approximately S$5.0 million and S$4.0 million, representing 41.0% and 35.7% of the total cost of sales for the corresponding periods, respectively.

Subcontracting costs comprise subcontracting costs paid to subcontractors for performing post-treatment process, including plating and silk-screen printing. For the two years ended 31 December 2017 and 2018, subcontracting costs accounted for approximately S$1.5 million and S$1.4 million, representing 12.3% and 12.5% of the total cost of sales for the corresponding periods, respectively.

Manufacturing overheads comprise depreciation, utilities, repair and maintenance expenses and other miscellaneous expenses. For the two years ended 31 December 2017 and 2018, manufacturing overheads accounted for approximately S$2.0 million and S$2.3 million, representing 16.4% and 20.5% for the corresponding periods, respectively. The increase was mainly due to higher depreciation arising from acquisition of property, plant and equipment during the year ended 31 December 2017 and 31 December 2018.

GROSS PROFIT AND GROSS PROFIT MARGIN

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

OTHER INCOME

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

OTHER LOSSES, NET

The Group's other losses decreased by approximately S$62,000 or 62.0% from approximately S$100,000 for the year ended 31 December 2017 to approximately S$38,000 for the year ended 31 December 2018. This is mainly due to decrease in foreign exchange losses for the year ended 31 December 2018 as a result of appreciation of USD against SGD during the year.

ADMINISTRATIVE EXPENSES

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

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

FINANCE INCOME/(COSTS), NET

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

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

FINAL DIVIDEND

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

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

CAPITAL STRUCTURE

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

PLEDGE OF ASSETS

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

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

SIGNIFICANT INVESTMENT HELD BY THE GROUP

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments as at 31 December 2018.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

Apart from central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

FOREIGN EXCHANGE RISK

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

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

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

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing, after deducting listing expenses (including underwriting fee), and other expenses arising from the Listing ("**Net Proceeds**") were approximately HK$95.2 million. The Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus. As stated in the Prospectus, our Company intended to apply the Net Proceeds for: (i) expand the scale of our operation by increasing our production capacity; (ii) achieve better production efficiency by implementing a greater production automation; (iii) enhance our information technology system; (iv) improve our quality assurance capability; and (v) increase our marketing effort.

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

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

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

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

EVENTS AFTER REPORTING PERIOD

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

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

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

CORPORATE GOVERNANCE

The Company complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 (the "**CG Code**") of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since the listing of the shares of the Company to the Stock Exchange on 16 July 2018 ("**Listing Date**") to the date of this announcement with the exception of the following deviation:

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's substantial contribution to the Group for over 30 years and his extensive experience in the metal precision components market, the Company considers that having Mr. Toe Tiong Hock acting as both the Chairman and the CEO provides strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies of the Group. The Company considers it is appropriate and beneficial to the business development and prospects of the Group that Mr. Toe Tiong Hock continues to act as both the Chairman and the CEO after the listing of the shares of the Company on the Stock Exchange, and therefore currently do not propose to separate the functions of the Chairman and the CEO.

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

The shares of the Company were first listed on the Stock Exchange on 16 July 2018. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited financial results for the year ended 31 December 2018 and discussed with the management and the auditor of the Company on the accounting principles and practices, financial reporting process, internal control adopted by the Group, with no disagreement by the audit committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.fsmtech.com). The annual report of the Company for the year ended 31 December 2018 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
FSM Holdings Limited
Toe Tiong Hock
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 15 March 2019

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Toe Tiong Hock, Ms. Wong Yet Lian and Ms. Lim Siew Choo; and three independent non-executive directors, namely Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung.