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## **FSM Holdings Limited**

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

**(Stock Code: 1721)**

**(the “Company”)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2019 amounted to approximately S\$5.0 million, representing a decrease of approximately 55.9% as compared to approximately S\$11.3 million for the six months ended 30 June 2018.
- Profit for the six months ended 30 June 2019 amounted to approximately S\$6,000 as compared to loss of approximately S\$0.2 million for the six months ended 30 June 2018.
- Earnings per share attributable to owners of the Company for the six months ended 30 June 2019 amounted to approximately 0.0006 Singapore cents as compared to loss per share of approximately 0.02 Singapore cents for the six months ended 30 June 2018.

The Board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|                                                                                          |       | For the six months ended<br>30 June |              |
|------------------------------------------------------------------------------------------|-------|-------------------------------------|--------------|
|                                                                                          |       | 2019                                | 2018         |
|                                                                                          | Notes | S\$'000                             | S\$'000      |
|                                                                                          |       | (unaudited)                         | (unaudited)  |
| Revenue                                                                                  | 6     | 4,970                               | 11,279       |
| Cost of sales                                                                            | 7     | (3,425)                             | (6,099)      |
| <b>Gross profit</b>                                                                      |       | <b>1,545</b>                        | <b>5,180</b> |
| Other income                                                                             |       | 31                                  | 18           |
| Other gains – net                                                                        |       | 25                                  | 136          |
| Selling and distribution expenses                                                        | 7     | (50)                                | (51)         |
| Administrative expenses                                                                  | 7     | (1,615)                             | (4,928)      |
| <b>Operating (loss)/profit</b>                                                           |       | <b>(64)</b>                         | <b>355</b>   |
| Finance income                                                                           |       | 118                                 | –            |
| Finance costs                                                                            |       | (30)                                | (45)         |
| Finance income/(costs), net                                                              |       | 88                                  | (45)         |
| <b>Profit before income tax</b>                                                          |       | <b>24</b>                           | <b>310</b>   |
| Income tax expense                                                                       | 8     | (18)                                | (467)        |
| <b>Profit/(loss) for the period attributable to owners of the Company</b>                |       | <b>6</b>                            | <b>(157)</b> |
| <b>Earnings/(loss) per share for profit/(loss) attributable to owners of the Company</b> |       |                                     |              |
| Basic and diluted (Singapore cents)                                                      | 9     | 0.0006                              | (0.02)       |

# CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

|                                                                                               | For the six months ended |                     |
|-----------------------------------------------------------------------------------------------|--------------------------|---------------------|
|                                                                                               | 30 June                  |                     |
|                                                                                               | 2019                     | 2018                |
|                                                                                               | S\$'000                  | S\$'000             |
|                                                                                               | (unaudited)              | (unaudited)         |
| <b>Profit/(loss) for the period</b>                                                           | <b>6</b>                 | <b>(157)</b>        |
| <b>Other comprehensive income:</b>                                                            |                          |                     |
| <i>Item that may be reclassified subsequently to profit or loss:</i>                          |                          |                     |
| Currency translation differences                                                              | <u>1</u>                 | <u>1</u>            |
| <b>Other comprehensive income for the period, net of tax</b>                                  | <u>1</u>                 | <u>1</u>            |
| <b>Total comprehensive income/(loss) for the period attributable to owners of the Company</b> | <u><u>7</u></u>          | <u><u>(156)</u></u> |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                     |              | As at<br>30 June<br>2019<br>S\$'000<br>(unaudited) | As at<br>31 December<br>2018<br>S\$'000<br>(audited) |
|-----------------------------------------------------|--------------|----------------------------------------------------|------------------------------------------------------|
|                                                     | <i>Notes</i> |                                                    |                                                      |
| <b>ASSETS</b>                                       |              |                                                    |                                                      |
| <b>Non-current assets</b>                           |              |                                                    |                                                      |
| Property, plant and equipment                       |              | 12,934                                             | 13,387                                               |
| Right-of-use assets                                 |              | 3,859                                              | –                                                    |
| Prepayments                                         | 11           | –                                                  | 1,940                                                |
|                                                     |              | <u>16,793</u>                                      | <u>15,327</u>                                        |
| <b>Current assets</b>                               |              |                                                    |                                                      |
| Inventories                                         |              | 726                                                | 1,937                                                |
| Trade and other receivables                         | 11           | 2,313                                              | 2,537                                                |
| Pledged bank deposit                                |              | 654                                                | 654                                                  |
| Short-term bank deposits                            |              | 9,520                                              | 9,520                                                |
| Cash and cash equivalents                           |              | 14,883                                             | 15,481                                               |
|                                                     |              | <u>28,096</u>                                      | <u>30,129</u>                                        |
| <b>Total assets</b>                                 |              | <u><u>44,889</u></u>                               | <u><u>45,456</u></u>                                 |
| <b>EQUITY</b>                                       |              |                                                    |                                                      |
| <b>Equity attributable to owners of the Company</b> |              |                                                    |                                                      |
| Share capital                                       | 15           | 1,695                                              | 1,695                                                |
| Reserves                                            |              | 21,192                                             | 21,191                                               |
| Retained earnings                                   |              | 16,512                                             | 16,767                                               |
| <b>Total equity</b>                                 |              | <u><u>39,399</u></u>                               | <u><u>39,653</u></u>                                 |

|                                     |              | <b>As at<br/>30 June<br/>2019<br/>S\$'000<br/>(unaudited)</b> | <b>As at<br/>31 December<br/>2018<br/>S\$'000<br/>(audited)</b> |
|-------------------------------------|--------------|---------------------------------------------------------------|-----------------------------------------------------------------|
|                                     | <i>Notes</i> |                                                               |                                                                 |
| <b>LIABILITIES</b>                  |              |                                                               |                                                                 |
| <b>Non-current liabilities</b>      |              |                                                               |                                                                 |
| Lease liabilities                   | 12           | <b>1,598</b>                                                  | 270                                                             |
| Deferred income tax liabilities     |              | <b>1,098</b>                                                  | 1,098                                                           |
| Provision                           | 13           | <b>74</b>                                                     | 72                                                              |
|                                     |              | <hr/>                                                         | <hr/>                                                           |
|                                     |              | <b>2,770</b>                                                  | 1,440                                                           |
| <b>Current liabilities</b>          |              |                                                               |                                                                 |
| Trade and other payables            | 13           | <b>1,305</b>                                                  | 2,698                                                           |
| Borrowings                          | 14           | <b>298</b>                                                    | 371                                                             |
| Current income tax liabilities      |              | <b>419</b>                                                    | 680                                                             |
| Lease liabilities                   | 12           | <b>516</b>                                                    | 114                                                             |
| Amounts due to shareholders         |              | <b>182</b>                                                    | 500                                                             |
|                                     |              | <hr/>                                                         | <hr/>                                                           |
|                                     |              | <b>2,720</b>                                                  | 4,363                                                           |
| <b>Total liabilities</b>            |              |                                                               |                                                                 |
|                                     |              | <hr/>                                                         | <hr/>                                                           |
|                                     |              | <b>5,490</b>                                                  | 5,803                                                           |
| <b>Total equity and liabilities</b> |              |                                                               |                                                                 |
|                                     |              | <hr/>                                                         | <hr/>                                                           |
|                                     |              | <b>44,889</b>                                                 | 45,456                                                          |
|                                     |              | <hr/>                                                         | <hr/>                                                           |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION OF THE GROUP

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

The Company is an investment holding company. The Company and its subsidiaries (together, the **"Group"**) principally engage in precision engineering and sheet metal fabrication business. The immediate and ultimate holding companies of the Company are KAL SG Limited and KYL SG Limited respectively. The ultimate controlling parties of the Group are Mr. Toe Tiong Hock (**"Mr. Toe"**) and Ms. Wong Yet Lian (**"Mrs. Toe"**).

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) on 16 July 2018.

The condensed consolidated interim financial information is presented in Singapore Dollar (**"S\$"**) unless otherwise stated.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 is prepared in accordance with International Accounting Standard (**"IAS"**) 34, "Interim Financial Reporting". The condensed consolidated interim financial information have been prepared in accordance with International Financial Reporting Standards (**"IFRSs"**) issued by International Accounting Standards Board (**"IASB"**). The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statement for the year ended 31 December 2018.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2019.

### (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 preparation of the interim condensed consolidated financial information.

|                                            |                                                      |
|--------------------------------------------|------------------------------------------------------|
| Amendments to IFRS 9                       | Prepayment features with negative compensation       |
| IFRS 16                                    | Leases                                               |
| IFRIC 23                                   | Uncertainty over income tax treatments               |
| Amendments to IAS 28                       | Long-term interests in associates and joint ventures |
| Amendments to Annual Improvements Projects | Annual improvements 2015 – 2017 cycle                |
| Amendments to IAS 19                       | Plan amendment, curtailment or settlement            |

The impact of the adoption of IFRS 16 "Leases" is disclosed below.

Apart from IFRS 16 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 2019 and have not been early adopted by the Group:

|                                  |                                                                                       | <b>Effective for accounting periods beginning on or after</b> |
|----------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------|
| 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                                       |

None of the above new standards and amendments is expected to have significant effect on the consolidated financial statements of the Group.

**(c) Changes in accounting policies**

***IFRS 16 Leases***

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional 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.

*i. Adjustments recognised on adoption of IFRS 16*

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%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The operating lease commitments disclosed as at 31 December 2018 is approximately S\$1,797,000 and the fixed lease payments discounted using lessee’s incremental borrowing rate at the date of initial application is approximately S\$863,000. The difference were mainly arising from the discounting impact using the lessee’s incremental borrowing rate and the recognition of some short-term leases on a straight-line basis as expenses.

|                                                              | Operating lease<br>commitments<br>S\$'000 | Obligations<br>under finance<br>leases<br>S\$'000 | Total<br>S\$'000 |
|--------------------------------------------------------------|-------------------------------------------|---------------------------------------------------|------------------|
| <b>Lease liabilities recognised as at<br/>1 January 2019</b> |                                           |                                                   |                  |
| Of which are:                                                |                                           |                                                   |                  |
| Current lease liabilities                                    | 71                                        | 114                                               | 185              |
| Non-current lease liabilities                                | <u>792</u>                                | <u>270</u>                                        | <u>1,062</u>     |
|                                                              | <u>863</u>                                | <u>384</u>                                        | <u>1,247</u>     |

|                                                            |            |              |              |
|------------------------------------------------------------|------------|--------------|--------------|
| <b>Lease liabilities recognised as at<br/>30 June 2019</b> |            |              |              |
| Of which are:                                              |            |              |              |
| Current lease liabilities                                  | 75         | 441          | 516          |
| Non-current lease liabilities                              | <u>758</u> | <u>840</u>   | <u>1,598</u> |
|                                                            | <u>833</u> | <u>1,281</u> | <u>2,114</u> |

The associated right-of-use assets for land leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognised in the balance sheet as at 31 December 2018.

The recognised right-of-use assets relate to the following assets:

|                                  | <b>30 June<br/>2019<br/>S\$'000</b> | 1 January<br>2019<br>S\$'000 |
|----------------------------------|-------------------------------------|------------------------------|
| Machineries                      | <b>3,287</b>                        | 765                          |
| Land                             | <u><b>572</b></u>                   | <u>602</u>                   |
| <b>Total right-of-use assets</b> | <u><b>3,859</b></u>                 | <u>1,367</u>                 |

The change in accounting policy affected the following items in balance sheet on 1 January 2019:

- Property, plant and equipment – decrease by S\$765,000
- Right-of-use assets – increase by S\$1,367,000
- Lease liabilities – increase by S\$863,000

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 asset 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.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

ii. *Group's leasing activities and how these are accounted for*

The Group rents land from the 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.

Until the 2018 financial year, 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.

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
- 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 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 IT-equipment.

#### 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. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

## 4. ESTIMATES AND FINANCIAL RISK MANAGEMENT

### (a) Estimates

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

### (b) Financial risk management

#### 4.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no changes in the risk management policies since year end.

#### 4.2 *Liquidity risk*

There was no material change in the contractual undiscounted cash flows for financial liabilities.

#### 4.3 *Fair value estimation*

The carrying values of the Group's current financial assets, including trade receivables, deposits, other receivables, pledged bank deposit, short-term deposits and cash and cash equivalents, and the Group's current financial liabilities, including trade and other payables, amounts due to shareholders and bank borrowings approximate their fair values due to their short maturities.

At 30 June 2019 and 31 December 2018, the Group did not have any financial instruments carried at fair value.

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 5. SEGMENT INFORMATION

The Chief Operating Decision Maker (“**CODM**”) monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The CODM of the Group are Mr. Toe Tiong Hack and Ms. Wong Yet Lian.

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

The Group’s revenue is mainly derived from sales to customers located in Singapore. As at 30 June 2019, 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\$1.9 million (31 December 2018: S\$1.9 million).

For the six months ended 30 June 2019, there were two (2018: two) customers which individually contributed over 10% of the Group’s total revenue. During the period, the revenues contributed from those customers are as follows:

|            | <b>For the six months ended<br/>30 June</b> |                    |
|------------|---------------------------------------------|--------------------|
|            | <b>2019</b>                                 | <b>2018</b>        |
|            | <b>S\$’000</b>                              | <b>S\$’000</b>     |
|            | <b>(unaudited)</b>                          | <b>(unaudited)</b> |
| Customer A | <b>542</b>                                  | 6,562              |
| Customer B | <b>4,091</b>                                | 3,856              |

## 6. REVENUE

|               | <b>For the six months ended<br/>30 June</b> |                    |
|---------------|---------------------------------------------|--------------------|
|               | <b>2019</b>                                 | <b>2018</b>        |
|               | <b>S\$’000</b>                              | <b>S\$’000</b>     |
|               | <b>(unaudited)</b>                          | <b>(unaudited)</b> |
| Sale of goods | <b>4,893</b>                                | 10,840             |
| Services      | <b>77</b>                                   | 439                |
|               | <b>4,970</b>                                | 11,279             |

## 7. EXPENSES BY NATURE

|                                                             | For the six months ended<br>30 June |                                |
|-------------------------------------------------------------|-------------------------------------|--------------------------------|
|                                                             | 2019<br>S\$'000<br>(unaudited)      | 2018<br>S\$'000<br>(unaudited) |
| Cost of inventories sold                                    | 939                                 | 3,215                          |
| Employee benefit expenses (including directors' emoluments) | 2,060                               | 2,098                          |
| Depreciation of property, plant and equipment               | 874                                 | 607                            |
| Operating lease expense in respect of land and buildings    | –                                   | 207                            |
| Utilities                                                   | 155                                 | 213                            |
| Subcontractor fees                                          | 671                                 | 769                            |
| Repair and maintenance of property, plant and equipment     | 128                                 | 231                            |
| Freight                                                     | 111                                 | 154                            |
| Auditor's remuneration                                      |                                     |                                |
| – Audit services                                            | 125                                 | 7                              |
| Listing expenses                                            | –                                   | 3,370                          |
| Others                                                      | 27                                  | 207                            |
|                                                             | <u>5,090</u>                        | <u>11,078</u>                  |
| Represented by:                                             |                                     |                                |
| Cost of sales                                               | 3,425                               | 6,099                          |
| Selling and distribution expenses                           | 50                                  | 51                             |
| Administrative expenses                                     | 1,615                               | 4,928                          |
|                                                             | <u>5,090</u>                        | <u>11,078</u>                  |

## 8. INCOME TAX EXPENSE

The amounts of income tax expense charged to the condensed consolidated statements of profit or loss represent:

|                                         | For the six months ended<br>30 June |                                |
|-----------------------------------------|-------------------------------------|--------------------------------|
|                                         | 2019<br>S\$'000<br>(unaudited)      | 2018<br>S\$'000<br>(unaudited) |
| Current income tax                      |                                     |                                |
| – Current tax on profits for the period | 18                                  | 467                            |
| Income tax expense                      | <u>18</u>                           | <u>467</u>                     |

### a. Singapore corporate income tax

Singapore corporate income tax is calculated at the rate of 17% on the chargeable income of the subsidiaries incorporated in Singapore in accordance with Singapore Income Tax Act during the six months ended 30 June 2019 (2018: 17%).

**b. Malaysia corporate income tax**

Malaysia corporate income tax is calculated at the rate of 24% on the chargeable income of the subsidiaries incorporated in Malaysia in accordance with Malaysia Income Tax Act during the six months ended 30 June 2019 (2018: 24%).

**9. EARNINGS/(LOSS) PER SHARE**

**a. Basic earnings/(loss) per share**

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2018.

|                                                                                      | <b>For the six months ended<br/>30 June</b> |                      |
|--------------------------------------------------------------------------------------|---------------------------------------------|----------------------|
|                                                                                      | <b>2019</b>                                 | 2018                 |
|                                                                                      | <b>(unaudited)</b>                          | (unaudited)          |
| Profit/(loss) attributable to the owners of<br>the Company (S\$'000)                 | <u>6</u>                                    | <u>(157)</u>         |
| Weighted average number of ordinary shares in issue<br>(in thousand) ( <i>note</i> ) | <u>1,000,000</u>                            | <u>750,000</u>       |
| Basic earnings/(loss) per share in Singapore cents                                   | <u><u>0.0006</u></u>                        | <u><u>(0.02)</u></u> |

*Note:* The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and Capitalisation Issue had been effective from 1 January 2018.

**b. Diluted earnings/(loss) per share**

There were no potential dilutive ordinary shares outstanding during six months ended 30 June 2019 and 2018, and hence the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

**10. INTERIM DIVIDENDS**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019. No dividend has been paid or declared by the Company since its incorporation.

# 11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|                                               | As at<br>30 June<br>2019<br>S\$'000<br>(unaudited) | As at<br>31 December<br>2018<br>S\$'000<br>(audited) |
|-----------------------------------------------|----------------------------------------------------|------------------------------------------------------|
| <b>Non-current</b>                            |                                                    |                                                      |
| Prepayments for property, plant and equipment | –                                                  | 1,940                                                |
| <b>Current</b>                                |                                                    |                                                      |
| Trade receivables                             | 1,913                                              | 2,257                                                |
| Less: loss allowance                          | –                                                  | –                                                    |
| Trade receivables, net                        | 1,913                                              | 2,257                                                |
| Prepayments                                   | 77                                                 | 122                                                  |
| Deposits                                      | 139                                                | 96                                                   |
| Other receivables                             | 184                                                | 62                                                   |
|                                               | 2,313                                              | 2,537                                                |
|                                               | 2,313                                              | 4,477                                                |

For trade receivables, the credit period granted to customers ranges from 30 to 90 days. The aging analysis of trade receivables based on invoice date as at 30 June 2019 and 31 December 2018 was as follows:

|               | As at<br>30 June<br>2019<br>S\$'000<br>(unaudited) | As at<br>31 December<br>2018<br>S\$'000<br>(audited) |
|---------------|----------------------------------------------------|------------------------------------------------------|
| 0 to 30 days  | 1,105                                              | 1,256                                                |
| 31 to 60 days | 779                                                | 816                                                  |
| 61 to 90 days | 29                                                 | 81                                                   |
| Over 90 days  | –                                                  | 104                                                  |
|               | 1,913                                              | 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.

## 12. LEASE LIABILITIES

|                                                         | As at<br>30 June<br>2019<br>S\$'000<br>(unaudited) | As at<br>31 December<br>2018<br>S\$'000<br>(audited) |
|---------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|
| <b>Gross lease liabilities – minimum lease payments</b> |                                                    |                                                      |
| Not later than 1 year                                   | 588                                                | 124                                                  |
| Later than 1 year and not later than 2 years            | 567                                                | 124                                                  |
| Later than 2 years and not later than 5 years           | 787                                                | 155                                                  |
| Later than 5 years                                      | 520                                                | –                                                    |
|                                                         | <u>2,462</u>                                       | <u>403</u>                                           |
| Future finance charges on lease liabilities             | (348)                                              | (19)                                                 |
|                                                         | <u>2,114</u>                                       | <u>384</u>                                           |
| <b>Present value of lease liabilities</b>               |                                                    |                                                      |
| Not later than 1 year                                   | 516                                                | 114                                                  |
| Later than 1 year and not later than 2 years            | 513                                                | 118                                                  |
| Later than 2 years and not later than 5 years           | 706                                                | 152                                                  |
| Later than 5 years                                      | 379                                                | –                                                    |
|                                                         | <u>2,114</u>                                       | <u>384</u>                                           |

The effective interest rates on the lease liabilities as at 30 June 2019 ranges from 3.3% per annum to 4.6% per annum (31 December 2018: 3.3% per annum). As at 30 June 2019, the Group's lease liabilities was secured by the lessor's charged over the leased assets with net carrying amount of approximately S\$3.3 million (31 December 2018: S\$0.8 million).

## 13. TRADE AND OTHER PAYABLES AND PROVISIONS

|                                  | As at<br>30 June<br>2019<br>S\$'000<br>(unaudited) | As at<br>31 December<br>2018<br>S\$'000<br>(audited) |
|----------------------------------|----------------------------------------------------|------------------------------------------------------|
| <b>Non-current</b>               |                                                    |                                                      |
| Provision for reinstatement cost | 74                                                 | 72                                                   |
| <b>Current</b>                   |                                                    |                                                      |
| Trade payables                   | 730                                                | 1,109                                                |
| Other payables                   | 219                                                | 870                                                  |
| Accruals                         | 356                                                | 719                                                  |
|                                  | <u>1,305</u>                                       | <u>2,698</u>                                         |
|                                  | <u>1,379</u>                                       | <u>2,770</u>                                         |

As at 30 June 2019 and 31 December 2018, the aging analysis of the trade payables based on invoice date were as follows:

|               | As at<br><b>30 June</b><br><b>2019</b><br><i>S\$'000</i><br>(unaudited) | As at<br>31 December<br>2018<br><i>S\$'000</i><br>(audited) |
|---------------|-------------------------------------------------------------------------|-------------------------------------------------------------|
| 0 to 30 days  | 223                                                                     | 334                                                         |
| 31 to 60 days | 267                                                                     | 402                                                         |
| 61 to 90 days | 118                                                                     | 144                                                         |
| Over 90 days  | 122                                                                     | 229                                                         |
|               | <u>730</u>                                                              | <u>1,109</u>                                                |

#### 14. BORROWING

|           | As at<br><b>30 June</b><br><b>2019</b><br><i>S\$'000</i><br>(unaudited) | As at<br>31 December<br>2018<br><i>S\$'000</i><br>(audited) |
|-----------|-------------------------------------------------------------------------|-------------------------------------------------------------|
| Bank loan | <u>298</u>                                                              | <u>371</u>                                                  |

The bank loan as at 30 June 2019 were secured by pledged bank deposits of approximately S\$0.7 million, legal mortgage of two properties held by the Group in Singapore with carrying amount of approximately S\$7.0 million (2018: S\$7.1 million). As at 31 December 2018, the bank has released the personal guarantee by Mr. Toe. In addition to the above, the Group is required to comply with certain restrictive financial covenants imposed by the bank.

#### 15. SHARE CAPITAL

|                                                      | Number of<br>shares  | Share capital<br><i>S\$'000</i> |
|------------------------------------------------------|----------------------|---------------------------------|
| <b>Authorised:</b>                                   |                      |                                 |
| Ordinary shares of HK\$0.01 each                     |                      |                                 |
| At 31 December 2018, 1 January 2019 and 30 June 2019 | <u>2,000,000,000</u> | <u>3,390</u>                    |
| <b>Issued and fully paid:</b>                        |                      |                                 |
| Ordinary shares of HK\$0.01 each                     |                      |                                 |
| At 31 December 2018, 1 January 2019 and 30 June 2019 | <u>1,000,000,000</u> | <u>1,695</u>                    |

## 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. During the six months ended 30 June 2019, all of the Group's revenue was derived from (i) sale of sheet metal products; and (ii) provision of precision machining services.

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.

For the six months ended 30 June 2019, the Group recorded total revenue of approximately S\$5.0 million, representing a decrease of approximately S\$6.3 million or 55.9%, from approximately S\$11.3 million for the six months ended 30 June 2018. The decrease was mainly attributable to the decrease in sale of sheet metal products relating to semiconductor manufacturing affected by the US-China Trade War and the deteriorated market conditions.

### BUSINESS PROSPECTS

Looking ahead to the second half of 2019, the trade tensions between United States ("US") and China has increased uncertainties and concerns on a global scale. Being highly reliant on trade, Singapore has been affected by the US-China trade tensions, which has slowed down the new orders for exports. Moreover, the slumping smartphone market has weighed on Singapore's key semiconductor industry<sup>1</sup>.

Due to the US-China trade tensions in 2018, Singapore's quarterly domestic and external demand has decreased by approximately 1.3% and 5.2% in the first quarter of 2019 respectively<sup>2</sup>. Correspondingly, the Gross Domestic Product ("GDP") of Singapore's manufacturing industry decreased by approximately 10.1% in the first quarter of 2019. In the precision engineering cluster, the GDP of the cluster decreased by approximately 12.9% in the first quarter of 2019<sup>3</sup>. The changes in the industry has impacted the Group's customers, which resulted in customers delaying finished goods delivery and a decrease in orders from customers.

<sup>1</sup> <https://asia.nikkei.com/Economy/Trade-war-hits-Singapore-harder-as-growth-slows-to-10-year-low>

<sup>2</sup> <http://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=16052>

<sup>3</sup> GDP by industry

In the face of the challenging operating environment, the Group will retain a high degree of sensitivity on the market developments, while placing strong efforts on enhancing production competency through upgrading of machines and robotics and reaching out to new customers.

Looking forward to the rest of the year, the global economy and market environment will remain challenging as the US-China trade war looms large. The Group remains cautiously optimistic to continuously deploy appropriate strategies and enhance production competency through upgrading of machines and robotics. The Group will closely monitor the operational costs and implement the effective resources in engaging First Article production for new customers.

The Group will also maintain close contacts with its customers and suppliers for remedies for all possible outcomes of the trade friction. These will help the Group to maintain cost-control strategies in sales, distribution and administration expenses, manage and control the logistics and inventory to maintain high operational efficiency and reduce inventory costs. Lastly, the Group will continue to pursue various investment opportunities to diversify and broaden its earning base, with a view to generating valuable and sustainable return to its shareholders in the future.

## FINANCIAL REVIEW

### Revenue

The following table sets forth the breakdown of the Group's revenue from (i) sale of sheet metal products and (ii) provision of precision machining services during the six months ended 30 June 2019 and 2018:

|                              | For the six months ended 30 June |                     |                      |                     |
|------------------------------|----------------------------------|---------------------|----------------------|---------------------|
|                              | 2019                             |                     | 2018                 |                     |
|                              | <i>S\$'000</i>                   | <i>%</i>            | <i>S\$'000</i>       | <i>%</i>            |
|                              | (unaudited)                      |                     | (unaudited)          |                     |
| Sale of sheet metal products | <b>4,893</b>                     | <b>98.5</b>         | 10,840               | 96.1                |
| Precision machining services | <b>77</b>                        | <b>1.5</b>          | 439                  | 3.9                 |
| Total                        | <b><u>4,970</u></b>              | <b><u>100.0</u></b> | <b><u>11,279</u></b> | <b><u>100.0</u></b> |

During the six months ended 30 June 2019, the Group's revenue decrease by approximately S\$6.3 million or 55.9% compared to the same period in 2018. The decrease was mainly attributable to decrease in orders for sheet metal products from customers in the semiconductor manufacturing.

## Gross profit and gross profit margin

The following table sets forth the breakdown of the Group's gross profit and gross profit margin from (i) sale of sheet metal products and (ii) provision of precision machining services during the six months ended 30 June 2019 and 2018:

|                              | For the six months ended 30 June |      |              |      |
|------------------------------|----------------------------------|------|--------------|------|
|                              | 2019                             |      | 2018         |      |
|                              | S\$'000                          | %    | S\$'000      | %    |
|                              | (unaudited)                      |      | (unaudited)  |      |
| Sale of sheet metal products | 1,514                            | 30.9 | 4,996        | 46.1 |
| Precision machining services | 31                               | 40.3 | 184          | 41.9 |
|                              | <u>1,545</u>                     | 31.1 | <u>5,180</u> | 45.9 |

During the six months ended 30 June 2019, the Group's gross profit decrease by approximately S\$3.6 million from approximately S\$5.2 million for the six months ended 30 June 2018 to approximately S\$1.5 million for the six months ended 30 June 2019. The decrease in gross profit was in line with the decrease in revenue. The Group's gross profit margin decreased from approximately 45.9% for the six months ended 30 June 2018 to approximately 31.1% for the six months ended 30 June 2019 due to decrease in sales of products relating to semiconductor manufacturing with higher gross profit margin and the increase in manufacturing overheads which mainly include depreciation and other fixed costs.

## Other income and gains

The Group's other income and gains in aggregate, decreased by approximately S\$98,000 from approximately S\$154,000 for the six months ended 30 June 2018 to approximately S\$56,000 for the six months ended 30 June 2019. Such change was mainly attributable to foreign exchange losses arising from depreciation of United States dollars ("US\$") against S\$ for the six months ended 30 June 2019 as compared to foreign exchange gains arising from appreciation of US\$ against S\$ for the same period in 2018.

## Selling and distribution expenses

The Group's selling and distribution expenses remained relative constant at approximately S\$51,000 and S\$50,000 for the six months ended 30 June 2018 and 2019, respectively.

## Administrative expenses

The Group's administrative expenses decrease by approximately S\$3.3 million or 67.2% from approximately S\$4.9 million for the six months ended 30 June 2018 to approximately S\$1.6 million for the six months ended 30 June 2019. Such decrease was mainly attributable to the non-recurring listing expenses of approximately S\$3.4 million incurred for the six months ended 30 June 2018.

### **Operating (loss)/profit**

The Group recorded operating loss of approximately S\$64,000 for the six months ended 30 June 2019, as compared to the operating profit of approximately S\$0.4 million for the same period in 2018. This is primarily due to the decrease in revenue for the six months ended 30 June 2019 of approximately S\$6.3 million and the decrease in gross profit of approximately S\$3.6 million during the six months ended 30 June 2019.

### **Finance income/costs**

The Group's finance costs decreased from approximately S\$45,000 for the six months ended 30 June 2018 to approximately S\$30,000 for the six months ended 30 June 2019. This is mainly attributed to the non-recurring interest expenses for bank overdraft for the six months ended 30 June 2018. The Group's finance income increased from S\$nil for the six months ended 30 June 2018 to approximately S\$118,000 for the six months ended 30 June 2019. This is mainly attributed to the interest income from short-term deposits and pledged bank deposits for the six months ended 30 June 2019.

### **Income tax expense**

The Group's income tax expenses decreased by approximately S\$0.4 million or 96.1% from approximately S\$0.5 million for the six months ended 30 June 2018 to approximately S\$18,000 for the six months ended 30 June 2019. This was mainly due to the decrease in taxable profits for the six months ended 30 June 2019, which is in line with the decrease in revenue and gross profit.

### **Profit/(loss) for the period attributable to owners of the Company**

As a combined result of the above, the Group's profit/(loss) for the period attributable to owners of the Company increased by approximately S\$163,000 or 103.8% from approximately S\$0.2 million loss for the six months ended 30 June 2018 to approximately S\$6,000 profit for the six months ended 30 June 2019. Without taking into account of the non-recurring listing expenses, the decrease in profit was mainly attributable to the decrease in revenue and gross profit of the Group due to deteriorating market conditions leading to the decrease in orders for sheet metal products from customers in the semiconductor manufacturing.

### **Inventories**

The Group's inventories consist primarily of raw materials and finished goods. The management reviews the Group's inventory levels on a regular basis to manage the risk of excessive inventories. The average inventory turnover days for the six months ended 30 June 2019 was 70.9 days as compared to 32.0 days for the same period in 2018. The higher inventory turnover days for the six months ended 30 June 2019 was primarily due to decrease in the sale of sheet metal products for the six months ended 30 June 2019.

The Group's policy on obsolete or damaged inventories is to write off such inventories when the management considers the obsolete or damaged inventories to have no residual value. During the six months ended 30 June 2019, the Group has not made any provision or written off any inventory due to damage or obsolescence as the Group has not experienced any significant damage or loss in respect of its inventories.

### **Trade and other receivables**

The Group typically grants to customers a credit period ranging from 30 days to 90 days. The Group's average trade receivables turnover days for the six months ended 30 June 2019 was 76.6 days, which were in line with the general credit period granted.

The Group's trade and other receivables decreased from approximately S\$2.5 million as at 31 December 2018 to approximately S\$2.3 million as of 30 June 2019 primarily due to the decrease in trade receivables from approximately S\$2.3 million as at 31 December 2018 to approximately S\$1.9 million as at 30 June 2019, which is in line with the decrease in revenue from approximately S\$11.3 million for the six months ended 30 June 2018 to approximately S\$5.0 million for the six months ended 30 June 2019.

### **Trade and other payables**

The Group's trade payables primarily represent liabilities for goods and services provided to the Group prior to the end of period which are unpaid. The Group's average trade payables turnover days for the six months ended 30 June 2019 was 49.0 days, which was within the credit terms granted by the Group's suppliers, of 30 to 90 days.

The Group's trade and other payables decreased from approximately S\$2.7 million as at 31 December 2018 to approximately S\$1.3 million as at 30 June 2019. Such decrease is primarily due to the decrease in revenue as a result of decrease in sale of sheet metal products relating to semiconductor manufacturing affected by US-China Trade War and the deteriorated market conditions.

## **Liquidity and Capital Resources**

### ***Sources of liquidity, working capital and borrowings***

The Group finances its operations primarily through cash generated from operating activities and bank borrowings. As at 30 June 2019, the Group had cash and cash equivalents of approximately S\$14.9 million as compared to approximately S\$15.5 million as of 31 December 2018.

As at 30 June 2019, the Group had total bank borrowings of approximately S\$0.3 million and all of which were short-term borrowings, as compared to approximately S\$0.4 million as at 31 December 2018. The Group incurs bank borrowings mainly for general working capital purpose and to supplement the capital needs for investing activities. The bank borrowings are to be repaid on demand clause based on agreed scheduled repayments which in general ranges from 1 to 5 years as set out in the agreements. The decrease in bank borrowings as at 30 June 2019 was primarily due to the repayment of bank loan during the period.

As at 30 June 2019, the Group had lease liabilities of approximately S\$2.1 million as compared to approximately S\$0.4 million as at 31 December 2018. The lease liabilities are to be repaid based on agreed scheduled repayments which in general ranges from 3 to 30 years as set out in the agreements. The increase was mainly due to additional leases undertaken by the Group for purchase of property, plant and equipment during the period and the increase in rights-of-use assets upon the adoption of IFRS 16.

The current ratio calculated using current assets divided by current liabilities, was 10.3 times as at 30 June 2019 as compared to 6.9 times as at 31 December 2018. The quick ratio, calculated using current assets less inventories divided by current liabilities, was 10.1 times as at 30 June 2019 as compared to 6.5 times as at 31 December 2018. The increase in the current ratio was primarily due to (i) the decrease in trade and other payables from approximately S\$2.7 million as at 31 December 2018 to approximately S\$1.3 million as at 30 June 2019 and (ii) decrease in current income tax liabilities from approximately S\$0.7 million as at 31 December 2018 to approximately S\$0.4 million as at 30 June 2019. The increase in the quick ratio was primarily due to the decrease in trade and other payables from approximately S\$2.7 million as at 31 December 2018 to approximately S\$1.3 million as at 30 June 2019. The gearing ratio calculated using total debts divided by total equity was 0.06 times as at 30 June 2019 as compared to 0.02 times as at 31 December 2018. The increase in gearing ratio is primarily due to increase in lease liabilities from approximately S\$0.4 million as at 31 December 2018 to approximately S\$2.1 million as at 30 June 2019.

### ***Cash Flow***

During the six months ended 30 June 2019, the net cash generated from the operating activities was approximately S\$2.3 million, net cash used in investing activities was approximately S\$2.7 million and the net cash used in financing activities was approximately S\$0.2 million.

### **Capital Expenditure**

For the six months ended 30 June 2019, the capital expenditures amounted to approximately S\$3.7 million. The capital expenditures during the six months ended 30 June 2019 were primarily used for the purchase of a factory in Malaysia and machineries in Singapore. The Group finances its capital expenditures primarily through cash generated from operating activities, bank borrowings and lease liabilities. There was no disposal of property, plant and equipment for the six months ended 30 June 2019.

## **Significant Investments, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

There were no significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2019.

## **Pledge of Assets**

As at 30 June 2019, the bank borrowings were secured by pledged bank deposits of approximately S\$0.7 million, legal mortgage of two properties held by the Group in Singapore with carrying amount of approximately S\$7.0 million, while the lease liabilities were secured by the lessor's charged over the leased assets with net carrying amount of approximately S\$3.3 million.

## **Major Capital Commitments**

As at 30 June 2019, the Group had no material capital commitments.

## **Contingent Liabilities**

As at 30 June 2019, the Group did not have any significant contingent liability, guarantee or any litigation against the Group that would have a material impact on the Group's financial position or results of operations.

## **Share Option Scheme**

The Company adopted a share option scheme (the “**Scheme**”) on 22 June 2018. As at 30 June 2019, no option had been granted, agreed, exercised, ceased or lapsed under the Scheme, and there was no share option outstanding.

## **Use of Proceeds from Listing**

The Group completes its Listing and received net proceeds of approximately HK\$95.2 million. The net proceeds received from the Group's Listing will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

The net proceeds applied by the Group during the period from the Listing Date up to 30 June 2019 are as follows:

| <b>Use of net proceeds:</b>                                 | <b>Planned use of net proceeds</b> | <b>Actual use of net proceeds from the Listing Date to 30 June 2019</b> | <b>Unused amount</b> |
|-------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------|----------------------|
|                                                             | <i>HK\$ million</i>                | <i>HK\$ million</i>                                                     | <i>HK\$ million</i>  |
| 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 capability<br>( <i>Note 1</i> ) | 2.7                                | —                                                                       | 2.7                  |
| Increasing market efforts ( <i>Note 2</i> )                 | 1.2                                | —                                                                       | 1.2                  |
|                                                             | <u>          </u>                  | <u>          </u>                                                       | <u>          </u>    |

*Note 1:* As at 30 June 2019, the Group has yet to acquire measuring equipment using the net proceeds as the Group is still in the process of securing the most competitive pricing.

*Note 2:* As at 30 June 2019, the Group has yet to participate in any large scale marketing events as the Group is still in discussion with the potential vendors amidst the US-China trade war.

## Foreign Exchange Risk

The Group mainly operates in Singapore and Malaysia with majority of the transactions settled in S\$, US\$ and Malaysian ringgit (“MYR”).

The Group’s costs are substantially denominated in S\$, MYR and US\$, while the Group’s sales are mainly denominated in S\$ and US\$.

Any fluctuation in exchange rates may have an adverse effect on the Group’s results of operations.

Foreign exchange risk to each individual entity within the Group arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity’s functional currency.

Any future exchange rate volatility relating to the Singapore dollars and United States dollars may give rise to uncertainties in the value of net assets, profits and dividends. Appreciation of the value of the Singapore dollars against United States dollars may subject the Group to increased competition from foreign competitors, and depreciation in the value of the Singapore dollars may adversely affect the value of the Group’s net assets and earnings and dividends from its subsidiaries in Singapore and Malaysia.

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.

### **Interim Dividend**

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

### **Employees and Remuneration Policies**

The Group had 137 employees as at 30 June 2019 and 151 employees as at 31 December 2018. The remuneration package of our employees mainly includes wages, salaries, allowances and defined contribution plans. The employees' salaries are determined based on each employee's qualification, experience and suitability. The Directors receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the Group's performance. The remuneration of the Directors is reviewed and determined by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Group's performance. The Group also provides on-work training to the employees to improve technical competence and occupational health and safety.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2019, the Company complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 (the "**CG Code**") of Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange except for 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 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 will provide 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**

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2019 and discussed with the management 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.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "**Model Code**") of the Listing Rules on the Stock Exchange as the codes of conduct regarding securities transactions by Directors and by relevant employees of the Company. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding directors' securities transactions throughout the six months period ended 30 June 2019.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement will be published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.fsmtech.com](http://www.fsmtech.com)). The interim report of the Company for the six months ended 30 June 2019 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, 13 August 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.*