FSM Holdings Limited

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

(Stock Code: 1721)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board (the "**Board**") of Directors (the "**Directors**") of FSM Holdings Limited (the "**Company**") is pleased to announce the consolidated audited results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2019 ("**FY2019**"), together with the comparative figures for the corresponding period in 2018 ("**FY2018**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 S$'000	2018 S$'000
Revenue	4	**9,609**	19,848
Cost of sales	7	**(6,844)**	(11,241)
Gross profit		**2,765**	8,607
Other income	5	**53**	55
Other losses	6	**(1)**	(38)
Selling and distribution expenses	7	**(184)**	(209)
Administrative expenses	7	**(2,289)**	(5,473)
Operating profit		**344**	2,942
Finance income		**197**	59
Finance costs		**(92)**	(50)
Finance income/(costs), net	8	**105**	9
Profit before income tax		**449**	2,951
Income tax expense	9	**(390)**	(899)
Profit for the year attributable to owners of the Company		**59**	2,052
Earnings per share for profit attributable to owners of the Company (expressed in Singapore cents per share)	10		
– basic and diluted		**0.01**	0.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 S$'000	2018 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**15,828**	13,387
Right-of-use assets		**597**	–
Intangible assets		**47**	–
Prepayments	*11*	**–**	1,940
		16,472	15,327
Current assets			
Inventories		**2,990**	1,937
Trade and other receivables	*11*	**2,089**	2,537
Pledged bank deposits		**711**	654
Short-term bank deposits		**11,780**	9,520
Cash and cash equivalents		**11,649**	15,481
		29,219	30,129
Total assets		**45,691**	45,456
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**1,695**	1,695
Reserves		**21,192**	21,191
Retained earnings		**16,565**	16,767
Total equity		**39,452**	39,653

	Note	2019	2018
		S$'000	*S$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**848**	270
Lease liabilities		**718**	–
Deferred income tax liabilities		**1,413**	1,098
Provision	*13*	**72**	72
		3,051	1,440
Current liabilities			
Trade and other payables	*13*	**2,142**	2,698
Current income tax liabilities		**85**	680
Borrowings		**827**	485
Lease liabilities		**74**	–
Amounts due to directors		**60**	500
		3,188	4,363
Total liabilities		**6,239**	5,803
Total equity and liabilities		**45,691**	45,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

Prior to the incorporation of the Company and the completion of a reorganisation (the "**Reorganisation**") in preparation for the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited ("**the Main Board**"), the Group's business was operated by Fine Sheetmetal Technologies Pte. Ltd. ("**Fine Sheetmetal Technologies**"), FSM Manufacturing 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 immediate and ultimate holding companies of the Company were KAL SG Limited and KYL SG Limited respectively. The ultimate controlling parties of the Group were Mr. Toe and Mrs. Toe until 20 December 2019. On 20 December 2019, Luxuriant East Limited, a company incorporated in the British Virgin Islands, became the ultimate holding company of the Company and the ultimate controlling party of the Company was changed to Mr. Li Thet.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention. Certain prior year comparative figures have been reclassified to conform to the current year presentation.

Immediately prior to the Reorganisation, the Group's business was primarily conducted through the Operating Subsidiaries. Pursuant to the Reorganisation, the Group's business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Group business with no change in management and the ultimate owners of the Group's business remain substantially the same. The Group resulting from the Reorganisation is regarded as a continuation of the Group's business under the Operating Subsidiaries. Accordingly, the consolidated financial statements has been prepared and presented as a continuation of the Group's business as if the Group structure has existed as at 1 January 2018.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 January 2019 and have been adopted in the preparation of the consolidated financial statements.

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

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

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

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

The following new standards and amendment to existing standards have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced by IASB

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

2.2 Change in accounting policies

IFRS 16 Leases

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

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

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

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

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

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

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

- lease liabilities – increase by S$863,000

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

Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3 SEGMENT INFORMATION

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

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

The Group's revenue is mainly derived from sales to customers located in Singapore. As at 31 December 2019, the Group's non-current assets other than financial instruments located out of Singapore (mainly in Malaysia) amounted to S$3,912,000 (2018: S$3,555,000).

Information about major customers

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

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

4 REVENUE

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

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

5 OTHER INCOME

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

6 OTHER LOSSES

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

7 EXPENSES BY NATURE

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

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

8 FINANCE INCOME/(COSTS), NET

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

9 INCOME TAX EXPENSE

Singapore and Malaysia income tax has been provided at the rate of 17% and 17% on the estimated assessable profit for the year ended 31 December 2019 (2018: 17% and 24%). No overseas income tax has been provided as the Company and certain subsidiaries are incorporated in the Cayman Islands and the BVI respectively, and are exempted from tax (2018: Nil).

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

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

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

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

Notes:

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

(2) In Singapore, partial tax exemption relates to 75% tax exemption of the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$190,000 of normal chargeable income for the year ended 31 December 2019 (2018: 75% tax exemption of the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$290,000 of normal chargeable income).

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.

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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per shares has been determined on the assumption that the reorganisation and capitalisation issue which took place in relation to the Company's initial public offering and listing of shares on the Main Board had been effective from 1 January 2017.

(b) Diluted

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

11 TRADE AND OTHER RECEIVABLES

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

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

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is no significant impact of loss allowance for trade receivables as at 31 December 2019.

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

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

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

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

12 SHARE CAPITAL

	Number of shares	**Share capital**
		S$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 5 February 2018 (date of incorporation) *(Note (i))*	38,000,000	64
Increase in authorised share capital *(Note (iii))*	1,962,000,000	3,326
At 31 December 2018 and 31 December 2019	2,000,000,000	3,390
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 5 February 2018 (date of incorporation) *(Note (i))*	2	–
Share issued pursuant to the Reorganisation *(Note (ii))*	12,751,802	22
Share issued pursuant to the Capitalisation *(Note (iv))*	737,248,196	1,250
Share issued pursuant to the Listing *(Note (v))*	250,000,000	423
At 31 December 2018 and 31 December 2019	1,000,000,000	1,695

Notes:

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

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

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

(iii) On 22 June 2018, the authorised share capital of the Company was increased from 38,000,000 shares of HK$0.01 each to 2,000,000,000 shares of HK$0.01 each, by the creation of an additional 1,962,000,000 shares, ranking pari passu in all aspects with the then existing shares.

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

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

13 TRADE AND OTHER PAYABLES AND PROVISION

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

REVENUE

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

An analysis of the Group's revenue for FY2019 compared to FY2018 is as follows:

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

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

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

OTHER INCOME

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

OTHER LOSSES

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

ADMINISTRATIVE EXPENSES

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

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

FINAL DIVIDEND

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

OUTLOOK

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in United States Dollars ("**USD**"), Singapore Dollars ("**SGD**"), Malaysia Ringgit ("**MYR**") and Hong Kong Dollars ("**HKD**"), are generally deposited with reputable financial institutions. The Group's borrowings and lease liabilities are denominated in SGD.

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

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

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

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

CAPITAL STRUCTURE

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

PLEDGE OF ASSETS

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

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

SIGNIFICANT INVESTMENT HELD BY THE GROUP

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 29 June 2018 (the "**Prospectus**"), the Group did not have other future plans for material investments as at 31 December 2019.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

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

Total staff costs including directors' emoluments in which amounted to approximately S$2.9 million in FY2019 (FY2018: approximately S$3.9 million) comprise salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain valuable employees, the performance of the Group's employees are being reviewed annually.

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

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

FOREIGN EXCHANGE RISK

Majority of the Group's business operations were conducted in Singapore and Malaysia. The sales of the Group are denominated in USD and SGD. The purchases of the Group are denominated in SGD, USD and MYR. The functional currency of the Group is SGD. As at 31 December 2019, the Group retains part of the proceeds from Listing in HKD and USD. During the year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year.

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

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

USE OF NET PROCEEDS FROM THE LISTING

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

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

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

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

Note:

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

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

EVENTS AFTER REPORTING PERIOD

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

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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during FY2019 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's substantial contribution to the Group for over 30 years and his extensive experience in the metal precision components market, the Board considers that having Mr. Toe Tiong Hock acting as both the Chairman and the CEO will provide strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies of the Group. The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions set out in the Listing Rules.

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

During FY2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the Group's audited financial results for year ended 31 December 2019 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the audited consolidated financial statements for FY2019.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for FY2019 as set forth in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited 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 this 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 FY2019 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, 30 March 2020

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.