



SUSTAINABILITY REPORT

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CFM HOLDINGS LIMITED
REGISTRATION NO. 200003708R

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Introduction

We are pleased to present our annual sustainability report for our financial year ended 30 June 2019 (“FY2019”).

Since our establishment in 1979, CFM Holdings Limited and its subsidiaries (“CFM” or “the Group”) has transformed itself into a customer-oriented manufacturer who provides metal stamping services, fabrication, designs and sale of tool-and-die used for manufacturing of stamped metal components. Our vision is to be a global business name that delivers quality, performance, integrity, teamwork and innovation to the satisfaction of our customers. We recognise the importance of responsible business practices and sound risk management especially in light of the uncertain and highly competitive business environment. We formulate our business strategies in response to evolving market demands and sustainability challenges.

In FY2015, the Group acquired a new subsidiary trading in wearable and disposable gears for cleanroom, bio-medical, laboratories, pharmaceutical and hospitals. Today, our customer base ranges from electronics, automotive, telecommunication, technology, to the media & entertainment industries. The three industries contributing to our revenue are automotive, electronics and engineering.

We are aware of our environmental and social duties as an ethical and responsible corporation operating manufacturing and production lines. CFM is committed to reducing environmental footprints and to safeguard every individual employee’s well-being to build a sustainable future. Through our thorough and continuous assessment of our business environment impact with our valued stakeholders, we strive to integrate sustainability into our business model and keep our business model relevant.

About this report

For our sustainability report, we have adopted a phased-in approach. As we embark on our sustainability reporting odyssey, we have first identified the material Economic, Environmental, Social and Governance (“ESG”) factors based on our current practices and future initiatives of the Group. Our current practices and future initiatives will undergo continuous and consistent reviews in consideration of our business environment and valued stakeholders’ concerns.

Drawing reference from the Global Reporting Initiative (“GRI”) standards (core option) and in accordance with SGX-ST Listing Rules (711A and 711B) – Sustainability Reporting Guide. We have chosen to report using the GRI Standards because it is an internationally recognised sustainability reporting framework that covers a comprehensive range of sustainability disclosures.

We prepared the sustainability report of our operations for the period 1 July 2018 to 30 June 2019. The GRI Content Index is provided at the end of this report for the relevant references.

The contact point for questions regarding this report is Madam Lim Fong Li Janet, the Chief Executive Officer of the Group.

The content of this report has not been externally assured by independent parties.

About Us

We are listed on Singapore Exchange Securities Trading Limited on 16 January 2004 and headquartered in Singapore.

The Group's mission is to deliver high quality components to our customers by implementing stringent process control and deliver at a lowest cost possible. In addition, we strive to constantly upgrade our skills and keep abreast with technological advancement to satisfy beyond customers' requirement.

The locations of our operations include Singapore, Malaysia, China and the Slovak Republic. We proactively approach our existing customers and increase our customer engagement efforts to enhance customer service and lay the foundation for future revenue growth. We have expanded our metal stamping services in the automotive industry to reach the United States and other European countries. We are also in the midst of developing new metal stamping services and products to better serve our valued customers.

During the financial year ended 30 June 2019 ("FY2019"), we reported a net revenue of \$20.31 million, compared with revenue of \$22.63 million for the financial year ended 30 June 2018 ("FY2018"), a decrease of \$2.32 million. The decrease was mainly due to decrease in demand of metal stamping and fabrication and impact from the partial disposal of the Company's indirect subsidiary, PT Hantong Precision Manufacturing Batam, offset by higher revenue generated from tooling and components and parts segment.

Although there was a decrease in revenue, the gross profit increased from \$4.34 million in FY2018 to \$4.48 million in FY2019. The gross profit margin also increased from 19.20% to 22.04% for the same period. The increase in gross profit and improvement of gross profit margin were due to impact from the partial disposal of the Company's indirect subsidiary, PT Hantong Precision Manufacturing Batam (which was in gross loss position) and decrease in depreciation of property, plant and equipment during the current financial year.

The Group saw a net profit after tax of \$0.29 million in current financial year, a significant improvement from the loss after tax of \$0.81 million in FY2018.

For detailed financial results, please refer to our Group website: www.cfmholdings.com or SGX website, for the sections in our FY2019 annual report:

- Chairman's statement (page 4);
- Operational and financial review (pages 8 to 10); and
- Financial statements (pages 33 to 95).



Board's Statement

Dear Stakeholders,

To meet the growing interest in sustainability among stakeholders and in compliance with the requirements of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist 711A and 711B, and references the Global Reporting Initiative (“**GRI**”) Standards: core option, I am proud to present to you the Group’s annual sustainability report. This report highlights the key economic, environmental, social, and governance (“**ESG**”) related initiatives carried throughout a 12-month period from 1 July 2018 to 30 June 2019. As such, CFM Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to present its first sustainability report.

Our goal is to highlight the progress and achievements of sustainability issues and to set out strategic responses to the sustainability risks exposed to the Group in a transparent and effective manner.

As such, the key material ESG factors for the Group have been identified and cautiously reviewed by the management. The board of directors of the Group (the “**Board**”) also oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group’s strategic direction and policies.

PRODUCT QUALITY

We are placing our consumers as our highest importance by building trust through our qualitative and sustainable product offerings through the discipline of product quality consistency through the recognition of ISO as our group-wide objective.

VALUING OUR PEOPLE

We valued our employees as a top priority as we work hard to strengthen labour practices in areas such as wages and employment, health and safety, labour relations, code of ethics, training and development.

MINIMISING OUR ENVIRONMENTAL FOOTPRINT

The focus covers our impact on various environmental footprints in terms of waste management at our manufacturing premises.

GOVERNANCE

This report is available on the SGXNet and the Company’s website. We are strictly in compliance with mandatory all listing requirements and new code of conducts, and also promote awareness and maintain compliance with our existing Group policies such as whistle blowing and anti-corruption policy.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to consistently improve our policies, systems and results. Please send your comments and suggestions to irc@cfmholdings.com.

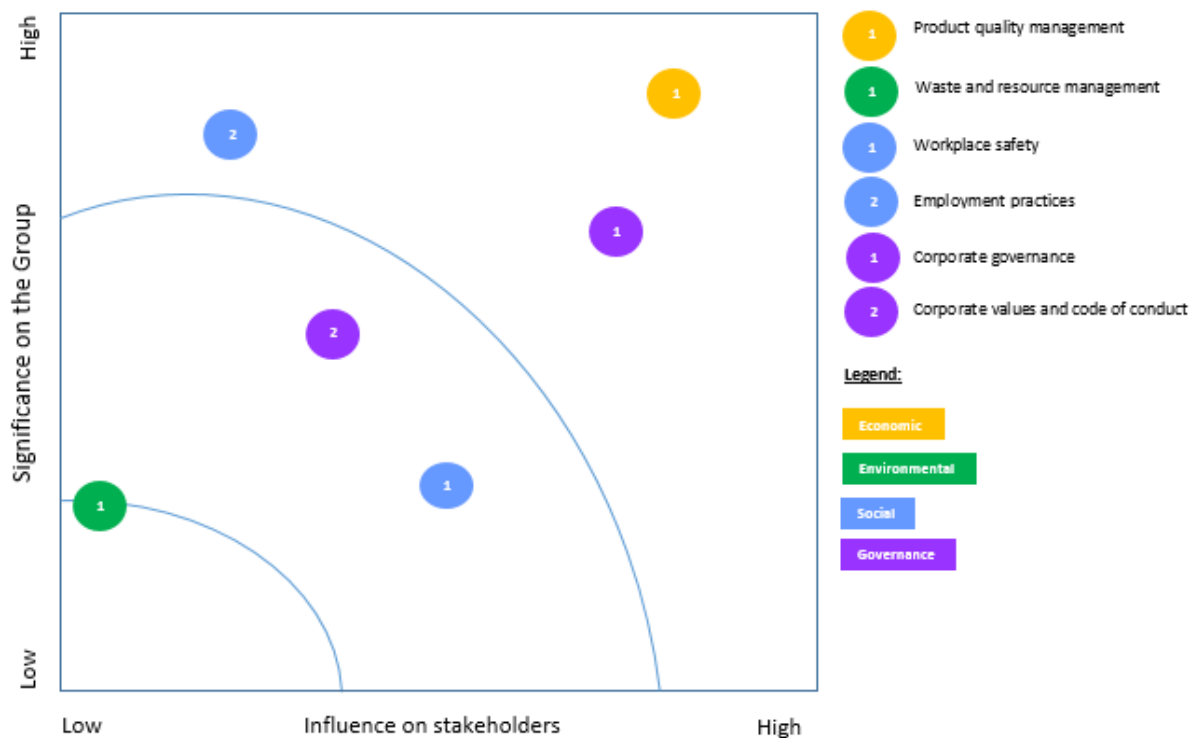
Board of Directors

19 November 2019

Defining Material Topics

The Group evaluated all aspects of business operations in defining material topics affecting CFM from its stakeholders' concerns and perspectives. The identified sustainability topics were assessed based on the feedbacks from our dialogues with our valued stakeholders and carefully calibrated with GRI disclosures. In the prioritisation of the material topics, we identified a list of sustainability topics in the sections of our report as such: **Our Economy**, **Our Environment**, **Our Community**, and **Our Governance**.

The material ESG factors were identified and ranked through the use of questionnaires, and further concurred by key management personnel of the Group. The ranking of material topics was based on the topics' significance to CFM and influences on their valued key stakeholders.







Key Stakeholders

We have carefully identified five key stakeholders with significant influences on our business operating environment and sustainability efforts. We recognise the value of our key stakeholders' engagement in achieving goal congruence and economic success. The following table below reflects our identification of key stakeholders and the corresponding ways to engage them:

Key Stakeholders	Topics	Stakeholder Engagements
1. Shareholders	<ul style="list-style-type: none"> - Financial returns - Industry conditions and business outlook - Business strategies - Financial performance 	<ul style="list-style-type: none"> - Annual General Meeting - Extraordinary General Meeting - Financial information and announcement release via SGX announcement - Discussion via calls and emails
2. Customers	<ul style="list-style-type: none"> - Quality management - Privacy of customers' data 	<ul style="list-style-type: none"> - Customer feedback management - Face-to-Face meetings with key customers - Informal dialogues - Email correspondence
3. Employees	<ul style="list-style-type: none"> - Employees' welfare - Occupational health and safety - Training and development 	<ul style="list-style-type: none"> - Annual appraisals - Employee feedback - Daily maintenance schedules for manufacturing sites - Periodic emergency drills - Continuing education programme
4. Suppliers	<ul style="list-style-type: none"> - Value for money purchases - Product quality 	<ul style="list-style-type: none"> - Face-to-face meetings with key suppliers - Discussion via calls and emails
5. Government	<ul style="list-style-type: none"> - Updates of policies - Regulation compliance - Government projects (service logistics, warehousing and storage) 	<ul style="list-style-type: none"> - Annual compliance audit - Adhere to statutory disclosures and requirements - Participation in seminars and conferences for updates in policies - Discussion via calls and emails - Participation and bidding in government projects (e.g. service logistics, warehousing and storage)

Strategies and Targets

Our current strategies and targets to achieve optimal sustainable operations as set forth below:

Key ESG Factors	Strategies	Targets
 <p>Product quality management</p>	<ul style="list-style-type: none"> Drives business expansion through the discipline of product quality consistency through continuous compliance with ISO and IATF standards. 	<ul style="list-style-type: none"> To ensure quality assurance audits are conducted with the *ISO 9001 and 16949 standards of compliance. <ul style="list-style-type: none"> * The International Organisation for Standardisation ("ISO"), ISO 9001:2015 is quality management systems and International Automotive Task Force ("IATF"), IATF 16949:2016 is technical specifications of quality management systems.
 <p>Waste and Resource Management</p>	<ul style="list-style-type: none"> Engages licensed scrap collector to manage materials waste to reduce environmental footprints. 	<ul style="list-style-type: none"> To conduct audits to ensure compliance with the *ISO 14001 standards to ensure minimal waste. <ul style="list-style-type: none"> * The International Organisation for Standardisation ("ISO"), ISO 14001:2015 is environmental management systems.
 <p>Workplace Safety</p>	<ul style="list-style-type: none"> Conducts monthly inspections to ensure the safety of work premises. Ensure compliance to safety rules and regulations during the discharge of their responsibilities by ensuring active participations of employees in regular drills. 	<ul style="list-style-type: none"> To maintain compliance by engaging external assurance to conduct periodic safety compliance audits. To ensure employees are kept up to date with safety rules and regulations through conducted periodic drills.
 <p>Employment Practices</p>	<ul style="list-style-type: none"> Provide trainings to build and broaden employees' knowledge and skillset. Conduct annual appraisals to reward employees based on performances and merits. 	<ul style="list-style-type: none"> To send key management personnel to attend trainings, and conduct internal trainings by key management personnel to ensure goal congruence and to narrow the gaps in knowledge. To devise a comprehensive training plan to cater for all employees to keep up with industry updates and changes. Employees empowerment through objective annual evaluations.
<p>Corporate Governance</p>	<ul style="list-style-type: none"> Complies with the new code of corporate governance 2018. 	<ul style="list-style-type: none"> Endeavour compliance with mandatory all listing requirements and new code of conducts.
<p>Corporate Values and Code of Conduct</p>	<ul style="list-style-type: none"> Complies with our whistle blowing and anti-corruption policy. 	<ul style="list-style-type: none"> To promote awareness and maintain compliance with our existing policies. We seek to actively revise and update our policies.

Risk and Opportunities



Our Economy

Product Quality Management

There is an increasing emphasis on organisations to focus on quality of products and services. The Group recognises quality management and the continual improvement of its production process to be most critical in meeting our customers' demand for high-quality products at a reasonable price.

Our established manufacturing plants are proudly certified with International Organisation for Standardisation 9001:2015 for quality management systems and International Automotive Task Force ("IATF") 16949:2016 for technical specifications of quality management systems.

The standard ISO 9001:2015 offers a comprehensive framework for maintaining quality. The ISO 9001:2015 standards set-forth robust quality management principles with heavy reliance on customer focus.

The IATF 16949:2016 is a technical specification certification that provides emphasis on preventing defects and reducing variations and waste in the automotive industry, on top of the development of quality management systems.

The intrinsic value of quality management standards lies in the confirmed assurance that there is quality in our products and our manufacturing systems. As part of our quality management practices, the Group engages an external party to conduct annual precision calibrations for our manufacturing machineries. We are constantly optimising our manufacturing process to improve operating efficiency, decrease wastage and reduce our environmental footprint.

We believe in responsible procurement. We evaluate our suppliers to ensure that we only procure raw materials from approved vendors. The Group strives to maintain compliance with the ISO and IATF standards by conducting periodic ISO and IATF certification audits, and strive for continuous consistency to meet the expectations of the customers.

The Group is a member of the Singapore Business Federation ("SBF"). The function of the association is to increase the networking opportunities for the Group for economic business growths and share advices on business continuity management, finance and branding.

We will continue to ensure our product quality management and improvement to meet our customer's demand, as well as reduce the variations and waste. In addition, the Group will continue to be a member of SBF to maintain the networking opportunities.

List of ISO 9001:2015 Certificates:





List of IATF 16949:2016 Certificates:



Our Environment

Waste and Resource Management

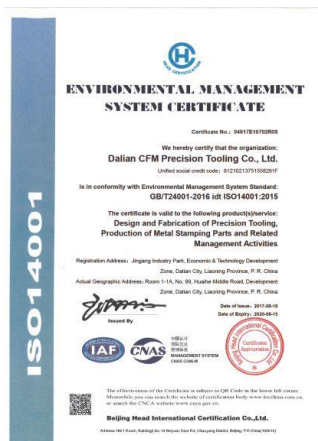
In the era of increasing sustainability efforts, customers are becoming more environmentally conscious. The Group recognises the corporate responsibility to increase the standards of living while preserving the profitability of organisation. We integrate our environmental efforts into our business operations. Our subsidiaries are also certified with ISO 14001:2015 for environmental management systems. Similar to the concept of continual improvement established in the standards of quality management systems, the ISO 14001 standard dictates environmental performance through more efficient use of resources, and reducing potential waste.

Our environmental initiatives aid in gaining competitive advantage against other market players, and in building trust with our valued stakeholders.

The Group conducts proper disposal of material waste in all subsidiaries through the engagement of licensed scrap contractors in our bid to build a sustainable supply chain. All approved licensed scrap contractors are accredited and certified by their local regulations and standards for proper waste disposal. We strive to maintain compliance with the ISO 14001:2015 environmental management systems' requirements by conducting periodic audits to minimise environmental footprints.

The Group will continue to ensure proper disposal of materials waste in all subsidiaries through the engagement of licensed scrap contractors and ensure that there were no non-compliance to regulations. In additions, the Group will continue to maintain its ISO 14001:2015 standards.

List of ISO Certificates: ISO 14001:2015 and ISO 14001:2016



Our Community

Workplace Safety

Every individual has a role to play in maintaining a safe and healthy working environment. The Group adopts the Fire Safety Manager (“FSM”) Scheme from the Singapore Civil Defence Force (“SCDF”) to ensure and enhance the fire safety standards within the building. The FSM scheme provides a comprehensive set of fire safety standards, and prevention measures within the building premises.

A monthly inspection is conducted by the appointed fire safety manager to evaluate the building’s fire protection system and identify potential safety breaches and/or fire hazards. The observations are highlighted for management’s rectification. Emergency drills are conducted bi-annually where the execution shortfalls of the evacuation exercises and its recommendations are recorded in the Emergency Evacuation Drill Report by the appointed fire safety manager for management’s attention.

An Emergency Response Plan (“ERP”) was developed by the Group in accordance to the Fire Safety Act (Section 20). The ERP provides detailed measures and operational actions to minimise injury and damage to property in the event of an emergency situation. All subsidiaries with manufacturing premises are certified with Fire Certificate in accordance with their local regulations where they operate.

As part of the safety measures, the manufacturing premises performs daily safety preventive maintenance on all machineries, and recorded on a safety checklist before commencement of day-to-day operations. Hazard boards and safety instructions are conveniently located within manufacturing floors to serve as a constant safety reminder for every individual.

Singapore Companies – Fire Safety (Table-top and Fire Drill Exercise)



Hantong Metal Component Sdn Bhd – Fire Drill and Bomba Training



In the reporting year, the Group has total of two (2) (FY2018: Zero) injuries reported at workplace. The expenses incurred were covered by the insurance. The employees have returned to the work after recovery from the medical treatments.

- Fall (1 month lost day rate)
- Fingernail into tapping machine (11 lost day rate)

The Group displays commendable vigilance and seeks continual improvements to maintain zero workplace ill health and injury.

Our Community

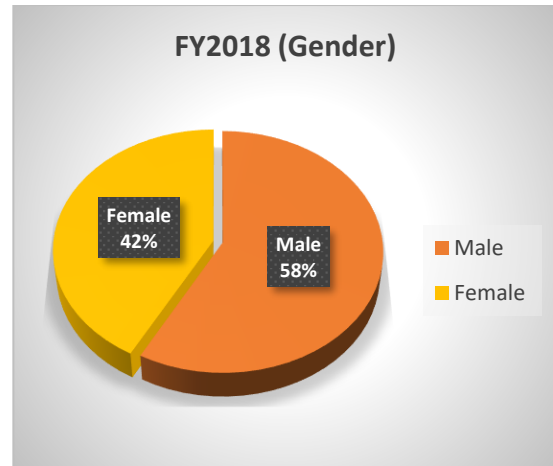
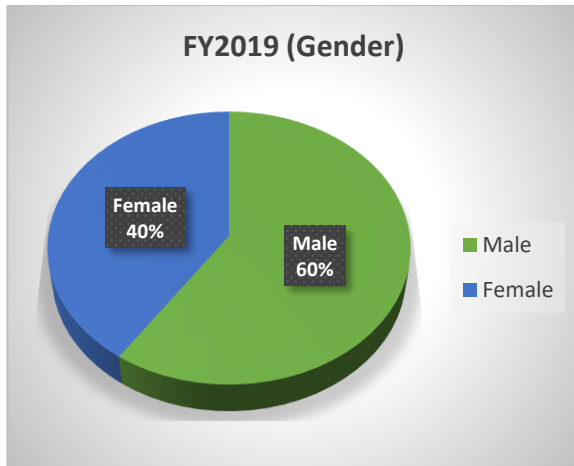
Employment Practices

Fair employment practices create an inclusive workplace culture. Training and performance evaluations are critical business development tools. While both development tools can be utilised independently, there are points where the two intersect. Continuing education trainings compliment performance evaluations by establishing active communication process between employees and employers. Employee gatherings strengthen bonds and builds a robust working relationship between employees for efficient workplace synergy.

The Group conducts annual performance appraisals for all employees to validate their merit performance to complete job tasks. Objective evaluations aid in the recognition of employees' competency and shortfalls, potentially allowing adjustments to the training program.

A comprehensive training map prescribes well defined goals. It helps in narrowing knowledge gaps of our employees. The Group sees the simultaneous synergy of the development tools and aims to devise a training plan to cater to employees to keep up with industry updates and changes.

As at 30 June 2019, the Group has a total of 415 (FY2018: 407) employees. The headcount was distributed as follows; -



Throughout the year, the Group holds a range of activities to foster the team building within our employees such as team building and birthday celebration, Christmas party, annual dinner and Chinese New Year lunch.

Singapore Companies – Team Building and Birthday Party (16 January 2019)



Hantong Metal Component Sdn Bhd - Annual Dinner (22 February 2019)



Singapore Companies – Chinese New Year Dinner (23 January 2019)



Hantong Metal Component (Penang) Sdn Bhd - Annual Dinner (25 January 2019)



Our Governance

Corporate governance involves balancing the interests of the Group's valued stakeholders. It provides a framework for attaining the Group's objectives and encompasses every sphere of management from performance measurements to corporate disclosures. The Group is committed to the sound practice of good corporate governance with zero tolerance to unethical behaviours and unprofessionalism.

The Group's anti-bribery and corruption policy sets forth the constitutions of misconducts and emphasises on the prohibition of dishonest acts. We have formulated a whistle blowing policy and adopts an open-door policy to provide an avenue to all employees of CFM and members of the public to disclose any improper acts.

A dedicated whistleblowing communication channel to the Audit Committee Chairman using email is made available to anyone who wants to report any anti-bribery or corruption issue on a confidential basis.

In current reporting year, the Group report zero incident of bribery and whistle blowing (FY2018: NIL).

The Group's goal is to maintain zero incidents of corruption in the upcoming years. The Group will regularly review policies on whistleblowing and anti-corruption.

In addition, the Group recognises that personal data collection and analysis have become widespread with the rapid developments in technology. As part of our control measures, a Personal Data Protection ("PDP") policy is set-forth to protect the integrity of stakeholders' personal data from inappropriate use. With our extensive range of Policies and Procedures ("P&P"), the Group seeks to enhance our corporate framework with continual risk assessment and management of our internal controls, at least annually, to perform and operate in the advancing business environment.

There have been no reported incident or complaint of personal data leaking during current financial year (FY2018: Nil). The Group's will continue to keep the privacy of personal data collected and target no incident reported in the following years.

Shareholders

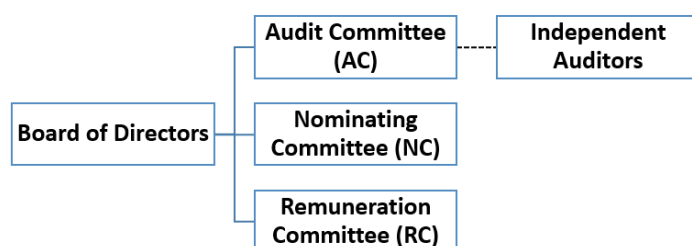
We value every opportunity to communicate with our shareholders. Active communication builds a robust trust platform. Effective communication ensures that the shareholders' interest and the Group's objectives are being addressed and conveyed. We encourage active participation during our Annual General Meetings and Extraordinary General Meetings, with every attempt to address concerns that are raised by our shareholders. The Group strives to maintain effective communication to foster long term relationship and continual success.

Board of Directors ("BOD")

The Board of Directors comprises five directors of which there are three Independent Directors and two Executive Directors. The Chief Executive Officer oversees the day-to-day operations and general management with the assistance of the Group's Chief Financial Officer. The Executive Chairman of the Group has more than 40 years of experience in the metal stamping and tooling industries. As a co-founder, he has been leading all the growth and expansion of the Group. The former Executive Director, Mr Kenneth Ip resigned on 19 July 2019 and be appointed as Chief Operating Officer of the Group on the same day, is involved in the business development for its subsidiaries, together with engineering, tooling fabrication and designing.

The Independent Directors hold multiple directorships from several public listed companies and will constructively challenge the Group's business proposals and review its operating performance. The Company has appointed an additional Independent Director on 19 July 2019 make up more than half of the Board as the Chairman and CEO are immediate family members to comply with the revised Code of Corporate Governance 2018. The new Independent Director has various experience in the audit and assurance as well as merger and acquisition, and able to provide his advice and guidance to the strategic direction of the Group.

Going forward, The Group will continue to comply with the Code of Corporate Governance and meet all requirements.



APPENDIX 1: UNIVERSAL STANDARDS

GRI No.	Description	Page or direct references
GENERAL DISCLOSURES		
Organisational profile		
102-1	Name of the organisation	CFM Holdings Limited
102-2	Activities, brands, products, and services	Pg. 3
102-3	Location of headquarters	CFM Holdings Limited No. 4, Ang Mo Kio Avenue 12, #05-01 CFM Building, Singapore 569498
102-4	Location of operations	Singapore, Malaysia, China and the Republic of Slovakia
102-5	Ownership and legal form	Pg. 3
102-6	Markets served	Pg. 3
102-7	Scale of the organisation	Pg. 4
102-8	Information on employees and other workers	Pg. 13
102-9	Supply chain	Pg. 9
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary principle or approach	Pg. 16
102-12	External initiatives	No external initiatives
102-13	Membership of associations	Pg. 9
Strategy		
102-14	Statement from senior decision-maker	Pg. 5
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Pg. 16-17
Governance		
102-18	Governance structure	Pg. 17
Stakeholder engagement		
102-40	List of Stakeholder Groups	Pg. 7
102-41	Collective bargaining agreements	No Collective Bargaining Agreement
102-42	Identifying and selecting stakeholders	Pg. 7
102-43	Approach to stakeholder engagement	Pg. 7
102-44	Key topics and concerns raised	None
Reporting practice		
102-45	Entities included in the consolidated financial statements	This is adopted in the FY2019 Annual Report
102-46	Defining report content and topic Boundaries	Pg. 6
102-47	List of material topics	Pg. 6
102-48	Restatements of information	None
102-49	Changes in reporting	None
102-50	Reporting period	1 July 2018 to 30 June 2019
102-51	Date of most recent report	31 May 2019
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Madam Lim Fong Li Janet, the Chief Executive Officer of CFM
102-54	Claims of reporting in accordance with the GRI Standards	Pg. 3
102-55	GRI content index	Pg. 18
102-56	External assurance	None