

IAG Holdings Limited

官酝控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 8513

2020

ANNUAL REPORT



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This report, for which the directors (the “**Directors**”) of IAG Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Phua Swee Hoe (*Chairman of the Board and chief executive officer*)

Ms. Ng Hong Kiew (*Head of finance and administration*)

Ms. Wu Haiyan (*Head of liquor operation*)
(appointed on 17 August 2020)

Mr. Yang Jianyuan (*Head of liquor operation*)
(retired on 29 May 2020)

Non-executive Director:

Mr. Tay Koon Chuan

Independent Non-executive Directors:

Mr. Tan Yew Bock

Mr. Kwa Teow Huat
(appointed on 22 April 2020)

Mr. Au Chi Fung
(appointed on 8 May 2020)

Ms. Huang Jiawen
(appointed on 7 August 2020)

Mr. Ong Kian Guan
(resigned on 30 April 2020)

Mr. Chow Wen Kwan
(resigned on 8 May 2020)

AUDIT COMMITTEE

Mr. Kwa Teow Huat (*Chairman*)

Mr. Tan Yew Bock

Mr. Au Chi Fung

REMUNERATION COMMITTEE

Mr. Tan Yew Bock (*Chairman*)

Mr. Phua Swee Hoe

Mr. Kwa Teow Huat

NOMINATION COMMITTEE

Mr. Phua Swee Hoe (*Chairman*)

Mr. Tan Yew Bock

Mr. Au Chi Fung

COMPANY SECRETARY

Mr. Lau Chung Wai

AUTHORISED REPRESENTATIVES

Mr. Phua Swee Hoe

Ms. Ng Hong Kiew

INDEPENDENT AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

COMPLIANCE OFFICER

Ms. Ng Hong Kiew

COMPLIANCE ADVISOR

Fortune Financial Capital Limited

Units 4102-06, 41/F, COSCO Tower,

183 Queen's Road Central,

Hong Kong

LEGAL ADVISOR

As to Hong Kong law

Howse Williams

27/F Alexandra House

18 Chater Road, Central

Hong Kong

STOCK CODE

8513

CORPORATE INFORMATION

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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#02-10
Singapore 339156

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

27/F, Alexandra House
No. 18 Chater House, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKER

DBS Bank
Blk 43, Holland Drive
#01-55
Singapore 270043

COMPANY WEBSITE

www.inzign.com

(Note: information contained in this website does not form part of this report)

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors ("**Directors**") of IAG Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to present the annual report of the Group for the year ended 31 December 2020 (the "**Relevant Period**" or the "**Reporting Period**") to you.

The year 2020 was a challenging and volatile year for the global economy as a result of the COVID-19 pandemic. It was a year in which global supply chains were significantly disrupted by the virus and measures implemented by government to curb it.

I am pleased to report that despite these challenges, our core business in the manufacture and sales of injection molded plastic parts for disposable medical devices and the provision of tooling services has shown an increase in revenue in the Reporting Period. Our Singapore subsidiary remains its operations during the circuit breaker period as our manufacturing services are part of the essential supply chain. Since the circuit breaker period, we have implemented COVID-19 safety measures to protect the health and well-being of our workers whilst meeting our customers' supplies requirements.

The Group has commenced its Chinese liquor trading business in the People's Republic of China ("**PRC**") through its indirectly owned subsidiary. The Chinese liquor markets have been impacted by COVID-19 in the first half year of 2020 due to lockdown in the PRC which includes temporary closure of restaurants and restriction of movement of the people. Although the situation is now under control with business and travel activities steadily recovering after being disrupted by the COVID-19 outbreak, we believe the demand of Chinese liquor will gradually increase.

The Group has also completed the acquisition of Savour Talent Global Limited ("**Savour**") on 3 January 2020. The principal activities of Savour are business of development, manufacturing and installation of amusement machines and equipment in the PRC. Savour has contributed S\$4.1 million to the Group's revenue for the financial year ended 31 December 2020 ("**FY2020**").

In FY2020, the Group recorded an increase in turnover of approximately S\$8.6 million or 56.6% to approximately S\$23.8 million compared with the financial year ended 31 December 2019 ("**FY2019**"). Such increase was mainly due to increased orders from customers for the injection molded plastic parts for disposable medical devices; contribution from the Chinese liquor trading business in the PRC and the newly acquired subsidiary, Savour in FY2020. As a result of the above, the Group has recorded a profit of approximately S\$0.7 million for FY2020, representing an increase of approximately S\$2.4 million as compared to the loss of approximately S\$1.7 million in FY2019.



CHAIRMAN'S STATEMENT

The COVID-19 pandemic has continued to disrupt manufacturing and supply chains, we will continue to monitor and evaluate its impacts on the Group's operations. Nevertheless, we remain committed to our customers to deliver high quality and reliable products. We are confident that we are well-positioned to take advantage of opportunities created by the situation.

I would like to express my sincere appreciation to our Board, for their invaluable guidance and contribution. On behalf of the Board, I would like to express my deepest gratitude to our hardworking management team and staff, for their dedication to the Group and their tenacity during these challenging times. I would also like to thank our shareholders, customers and business associates, for their continuous support to our business.

Mr. Phua Swee Hoe

Chairman and Executive Director

Singapore, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in i) the manufacturing and sale of injection molded plastic parts for disposable medical devices and the provision of tooling services in Singapore; ii) Chinese liquor trading and development; and iii) manufacturing and installation of amusement machines and equipment in the PRC.

On 3 January 2020, the Group acquired 100% of the issued share capital of Savour. Savour holds 100% equity interest of Jingchen International Co., Limited, which in turn holds 80% equity interest of 中山市星藝動漫科技有限公司 (Xingyi Entertainment Equipment Co., Ltd).

For FY2020, our Singapore operations are not greatly affected by COVID-19 as compared to our business operations in the PRC. Our Singapore subsidiary remains its operations during the circuit breaker period as its manufacturing services are part of the essential supply chain.

PRC has imposed bans and restrictions on the movement of people which has resulted in the decrease in the demand for Chinese liquor. Our Chinese liquor trading business only started generating revenue in the third quarter of 2020. The export clients of the development, manufacturing and installation of amusement machines and equipment business are also affected by the pandemic as their entertainment centres are forced to temporarily close during this COVID-19 outbreak.

The Group's profit for FY2020 was approximately S\$0.7 million as compared with a loss of approximately S\$1.7 million in FY2019.

OUTLOOK

With the outbreak of COVID-19 globally, the Group is unable to ascertain the impact of the virus on the global economy. Nevertheless, the Group believes that with its experience and production know-how, it is strategically well-positioned to manage its business and capitalise on opportunities which may arise in future.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately S\$8.6 million or 56.6% from approximately S\$15.2 million in FY2019 to approximately S\$23.8 million in FY2020. The increase was mainly due to the increased orders from customers for the injection molded plastic parts for disposable medical devices; contribution from the Chinese liquor trading business in the PRC and the newly acquired subsidiary.

In addition, there was revenue from the new business activities of the development, manufacturing and installation of amusement machines and equipment in the PRC of approximately S\$4.1 million and revenue from the new Chinese liquor business of approximately S\$0.6 million contributing to the increase in the Group's revenue for FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

The Group's cost of sales increased by approximately S\$4.9 million or 35.8% from approximately S\$13.7 million in FY2019 to approximately S\$18.6 million in FY2020. The increase was in line with the increase in revenue.

Gross profit and gross profit margin

The Group's overall gross profit increased by approximately S\$3.7 million or 246.7% from approximately S\$1.5 million in FY2019 to approximately S\$5.2 million in FY2020. The Group's overall gross profit margin has increased from approximately 10.0% in FY2019 to approximately 22.0% in FY2020. Such increase was mainly due to the Group's manufacturing and sales and installation of amusement machines and equipment business.

Selling and distribution expenses

The Group's selling and distribution expenses remained relatively stable at approximately S\$0.4 million for both FY2019 and FY2020.

Our selling and distribution expenses mainly comprise expenses for salaries and benefits paid to our sales and marketing staffs, marketing and exhibition expenses, distribution expense, advertisement and recruitment expenses.

Administrative expenses

The Group's administrative expenses increased by approximately S\$1.6 million or 53.3% from approximately S\$3.0 million in FY2019 to approximately S\$4.6 million in FY2020.

Our administrative expenses mainly comprise salaries and benefits paid to our staff in the administrative function, directors' remuneration, rental and utilities expenses, legal and professional fees, travelling and transportation expenses, depreciation expenses, amortisation expenses, insurance expenses, research and development expenses and other expense items such as repair and maintenance fees, entertainment fees, telephone and bank charges.

Such increase was primarily due to the increase of research and development expense, legal and professional fee and depreciation of right-of-use asset and intangible asset.

Finance costs

The Group's finance costs remained relatively stable at approximately S\$0.3 million for both FY2019 and FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

In FY2020, the Group financed its operations by cash flow from internally generated funds and bank borrowings.

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.8 times as at 31 December 2020 (2019: 2.0 times). The decrease was mainly due to higher balances of trade and other payable and contract liabilities as at 31 December 2020. The gearing ratio, being the ratio of interest-bearing bank and other borrowings to total equity, was approximately 0.3 times as at 31 December 2020 (2019: 0.7 times). The decrease was mainly due to the issuance of shares during FY2020 for acquisition, which increased the balance of total equity. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities.

As at 31 December 2020 and 2019, the Group has cash and cash equivalents of approximately S\$4.4 million and S\$3.5 million, respectively, which were denominated mainly in Singapore dollars, United States dollars, Renminbi and Hong Kong dollars.

As at 31 December 2020, the Group had credit facilities from general working capital banks for bank overdrafts and trust receipts of approximately S\$3.3 million, approximately S\$1.9 million was unutilised, and approximately S\$1.4 million was utilised.

The Group also had lease liabilities of approximately S\$3.6 million and borrowings of approximately S\$1.5 million as at 31 December 2020. The Group's total borrowings amounted to approximately S\$5.1 million as at 31 December 2020.

Lease Liabilities

The Group leases certain property, plant and equipment and motor vehicles from third parties. The table below sets forth the maturity profile of our lease liabilities as at 31 December 2020.

	2020 S\$'000
Not later than one year	1,641
Later than one year but not more than five years	<u>1,951</u>
	<u><u>3,592</u></u>

Pledge of Assets

The Group did not pledge any assets as at 31 December 2020 (2019: S\$0.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

The Group has no material commitments as at 31 December 2019 and 2020.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020.

Employee Information

As at 31 December 2020, the Group had a total of 164 employees (2019: 135). Below is a breakdown of the number of our employees by functions:

	2020	2019
Management	18	16
Finance	8	6
Sales and marketing	6	7
Operation	70	50
Quality assurance	21	19
Product development/Engineering	37	34
Human resources	4	3
	<u>164</u>	<u>135</u>

Our employees are remunerated according to their job scope and responsibilities. We have adopted a policy on affirmative actions which directs all employees of the Group to make special efforts in all areas of life and work at the Group with the intent to create a harmonious working environment for our staff. We also provide on-the-job training whilst staff are employed by the Group and offer financial support to our full-time staff who have been employed by the Group for over one year to attend courses for career development. We offer our staff remuneration that includes salary and other benefits.

Total staff costs amounted to approximately S\$6.2 million in FY2020 (FY2019: S\$5.1 million).

Significant Investment Held

Except for the investment in its subsidiaries as at 31 December 2019 and 2020, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions and Disposal

On 3 January 2020, the Group acquired 100% of the issued share capital of Savour. Savour holds 100% equity interest of Jingchen International Co., Limited, which in turn holds 80% equity interest of 中山市星藝動漫科技有限公司 ("Xingyi").

The principal activities of Savour and its subsidiaries ("Savour Group") are development, manufacturing and sales and installation of amusement machines and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

The consideration for the acquisition for Savour Group is HK\$16,000,000, satisfied by the allotment and issuance of 26,666,667 consideration shares at the issue price of HK\$0.60 per share (“**Consideration**”) by the Company to the vendors. The Company also agrees to pay the vendors performance bonuses if the net profit after tax of Xingyi for the two years ended 31 December 2019 and 31 December 2020 exceeds HK\$3 million and HK\$4 million respectively. Any payment of performance bonuses shall be satisfied by the Company by way of the allotment and issuance of such number of new shares at the issue price HK\$0.6 per share if the relevant performance targets are met. The aggregate sum of the Consideration and performance bonuses shall not be more than HK\$48.0 million.

The Company has on 20 April 2020 issued 33,333,333 new shares as the net profit after tax for the year ended 31 December 2019 of Xingyi exceeds HK\$3 million. The fair value of the Group’s share of the identifiable net assets of Savour Group at the date of acquisition was determined at S\$1,938,000. The acquisition related costs of S\$216,000 have been incurred and included in administrative expenses.

The acquired business contributed revenue of S\$4,118,000 and net profit of S\$743,000 to the Group for the period from 3 January 2020 to 31 December 2020.

Use of Proceeds

The net proceeds from the share offer were approximately S\$6.0 million after deducting the listing related expenses. These proceeds are intended to be applied in the manner as described in the section headed “Future Plans and Use of Proceeds” in the prospectus dated 29 December 2017.

An analysis of the net proceeds utilised up to 31 December 2020 is set out as follows:

	Planned use of net proceeds S\$'000	Net proceeds utilised as at 31 December 2019 S\$'000	Net proceeds utilised during FY2020 S\$'000	Net proceeds utilised as at 31 December 2020 S\$'000	Total unused net proceeds as at 31 December 2020 S\$'000	Expected timeline for utilising the unutilised IPO Proceeds <i>(Note)</i>
Develop and strengthen injection moulding for microfluidics, liquid silicon rubber and sterile packaging	4,110	910	596	1,506	2,604	Expected to be fully utilised on or before 31 December 2022
Improve and expand tooling capacities	650	650	—	650	—	N/A
Hire sales and marketing staff	410	241	169	410	—	N/A
Establish the new technical department	300	300	—	300	—	N/A
Upgrade information technology system	90	25	31	56	34	Expected to be fully utilised on or before 31 December 2021
Increase sales and marketing services	60	60	—	60	—	N/A
General working capital	330	330	—	330	—	N/A
	<u>5,950</u>	<u>2,516</u>	<u>796</u>	<u>3,312</u>	<u>2,638</u>	

MANAGEMENT DISCUSSION AND ANALYSIS

Note: The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of the market conditions.

As at 31 December 2020, the Group has not fully utilised the planned net proceeds to develop and strengthen the injection moulding business as the plan to build a cleanroom and purchase of relevant machinery were held back due to customer's delay in their transition to new products as a result of the continued trade tensions and global economy uncertainties.

Consequently, due to the same reasons as set out above, there was a delay in utilising the remaining IPO proceeds in implementation of upgrading information technology system during FY2020 as such plans had been pushed back.

Apart from such changes, the Directors are not aware of any material change to the planned use of proceeds.

Foreign Exchange Exposure

The turnover and business costs of the Group were principally denominated in Singapore Dollars and Renminbi. The Group has exposures to foreign exchange risks as a result of purchases that are denominated in currencies other than Singapore Dollars. The exposures to foreign currency risks are not significant for both financial reporting periods and no financial instrument for hedging was employed.

Subsequent Events

After the outbreak of the COVID-19 pandemic since early 2020, a series of precautionary and control measures have been and continued to be implemented globally. The Group will pay close attention to the development of COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of COVID-19 pandemic.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Phua Swee Hoe (潘瑞河) (“Mr. Phua”), aged 64, is one of the founders of the Group and has been serving as a director of Inzign Pte Ltd (“**Inzign**”), a subsidiary of the Company, since May 1981. He is also a director of P.T. Inzign and Medizign Pte Ltd. He was appointed as a Director on 17 July 2017. He was redesignated as an executive Director and appointed as the chairman of our Board and chief executive officer of the Group on 25 August 2017. He is primarily responsible for the overall management, strategic direction and business development of the Group. He is also the chairman of the nomination committee and a member of the remuneration committee of our Company.

Mr. Phua completed GCE Ordinary Level in Singapore in December 1972. He holds a National Trade Certificate in metal machining issued by the Industrial Training Board Singapore in June 1974 and a certificate of apprenticeship in tool and die making, where the training was conducted by General Electric (USA) Housewares Pte Ltd.

Mr. Phua’s experience in the injection molding industry is primarily from his over 30 years after establishing Inzign. During this period, he has gained substantial experience in injection molding of component and sub-assembly parts for medical devices and has been instrumental in driving the development of the Group’s operations over the years.

Save as being the spouse of Ms. Ng, Mr. Phua does not have any relationships with other Directors and senior management.

Ms. Ng Hong Kiew (黃鳳嬌) (“Ms. Ng”), aged 61, joined the Group in March 1992. She was appointed as a Director on 17 July 2017. She was redesignated as an executive Director on 25 August 2017.

Ms. Ng received a higher stage group diploma in auditing and accounting from the London Chamber of Commerce and Industry in 1978.

Ms. Ng has been with the Group for over 25 years. She served as a director of Inzign from March 1992 to March 2005. During this period, Ms. Ng was responsible for overseeing the Group’s cash flow and balance sheet, compiling schedules and financial statements for tax submission purposes and arranging monthly payroll for all employees. Since March 2005, she has been the head of finance and administration of the Group and is primarily responsible for finance, treasury and administration.

Save as being the spouse of Mr. Phua, Ms. Ng does not have any relationships with other Directors and senior management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wu Haiyan (鄔海燕) ("Ms. Wu"), aged 37, was appointed as an executive Director on 17 August 2020. She is primarily responsible for the Group's Chinese liquor trading business in China.

Ms. Wu obtained a Diploma in Secretarial Studies from the Jiangxi Normal University in July 2003.

Ms. Wu has over 16 years of experience in the sales and marketing of alcohol in the PRC. Since October 2019, she has joined 深圳御鑒酒業有限公司 ("御鑒酒業"), an indirect non-wholly owned subsidiary of the Company and since May 2020, she has become an executive director, a legal representative, a general manager and a shareholder of 御鑒酒業, holding 49% of the issued share capital of 御鑒酒業.

NON-EXECUTIVE DIRECTOR

Mr. Tay Koon Chuan (鄭琨荃) ("Mr. Tay"), aged 60, joined the Group as a director of Insign in August 2012. He was appointed as a non-executive Director on 25 August 2017. He is primarily responsible for formulating the Group's corporate and business strategies.

Mr. Tay obtained a bachelor's degree of engineering from the National University of Singapore in June 1985. He further received a master of science degree in computer sciences from the University of Wisconsin-Madison in the United States and a master of business administration degree from the Nanyang Technological University in Singapore in May 1990 and July 1994, respectively.

From September 2005 to December 2016, he was employed by Fortune Capital Management Pte Ltd as its president.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Yew Bock ("Mr. Tan"), aged 61, was appointed as an independent non-executive Director on 19 December 2017. He is the chairman of the remuneration committee and a member of each of the audit and nomination committee of our Company.

Mr. Tan obtained a bachelor's degree in mechanical engineering from National University of Singapore in June 1986. He further received a master in business administration degree from the Nanyang Technological University of Singapore in July 1994.

From August 1986 to May 1996, Mr. Tan worked at Microelectronic Packaging Inc, a company engaged in the business of manufacturing of electronic packaging. During his employment with Microelectronic Packaging Inc, he held various positions ranging from engineering to general management. He was responsible for designing and developing package tooling and assembly processes. From July 1996 to March 2008, he was employed by Becton Dickinson Holdings for various roles, including deputy general manager, facilities & materials manager, manufacturing manager and director. He was mainly responsible for the overall operations of critical care business. Since April 2008, he has been working as a freelance consultant to companies that are engaged in medical technology and biomedical engineering.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwa Teow Huat (柯兆發) ("Mr. Kwa"), aged 57, was appointed as an independent non-executive Director on 22 April 2020. He is the chairman of the audit committee and a member of the remuneration committee of our Company.

Mr. Kwa has over 30 years of accounting and consulting experiences. He is currently the chief executive officer of Cyber Test Systems Pte Ltd. He was the chief financial officer and chief information officer of FSM Holdings Limited (Stock Code: 1721), a company listed on the Main Board of the Stock Exchange, from December 2017 to December 2018.

Mr. Kwa obtained a degree of Bachelor of Commerce from the University of Western Australia in Australia in April 1989 and a degree of Master of Business Administration from the University of Hull in United Kingdom in October 1994, through long distance learning course. He also obtained an executive diploma in directorship from the Singapore Management University in June 2015. Mr. Kwa was elected as a senior member of the Singapore Computer Society in July 2009 and qualified as a chartered accountant of Singapore in July 2013. He was also qualified as a project management professional in the Project Management Institute in August 2011 and a certified information security manager in Information Systems Audit and Control Association in January 2017.

Mr. Au Chi Fung (區智鋒) ("Mr. Au"), aged 33, was appointed as an independent non-executive Director on 8 May 2020. He is a member of the audit committee and a member of the nomination committee of the Company.

Mr. Au has over nine years of experience in the financial service industry. He is currently the general manager of Honour Wisdom International Holdings Limited.

Mr. Au obtained a degree of Bachelor of Science in Business Administration from the University of Arizona in the United States in August 2007 and a degree of Master of Business Administration from Kelley School of Business, Indiana University in the United States in May 2015.

Ms. Huang Jiawen (黃嘉文) ("Ms. Huang"), aged 33, has been appointed as an independent non-executive Director on 7 August 2020.

Ms. Huang has over eight years of experience in business development and client management. Since May 2017, Ms. Huang has been the assistant to the chief executive officer of Grand Tai Financial Holdings Limited and is responsible for building relationships with clients and addressing clients' concerns.

Ms. Huang obtained a diploma in Business English from the Hubei Open Vocational University in Wuhan City, Hubei Province, the PRC in January 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Foo Chee Wee (符致輝) (“Mr. Foo”), aged 55, first joined the Group in November 2005 and was promoted to operations manager on 1 February 2019. He is primarily responsible for managing and leading the production operations of Inzign. Prior to that, he was the senior manager of the sales and customer service department.

Mr. Foo completed GCE Ordinary Level in Singapore in December 1982. He also holds a diploma in mechanical engineering from Singapore Polytechnic.

Prior to joining the Group, from January 1989 to June 1990, Mr. Foo was the associate engineer in the trial molding department of Philips Singapore Pte Ltd, where he was responsible for supervising machine operators and injection molding machines. From June 1990 to October 1992, he worked as an engineer at Tonhow Industries Limited, a company engaged in the manufacturing and sale of injection molded plastic components. In October 1992, he joined Fowseng Plastics Industries Pte Ltd as a quality assurance engineer. He was later promoted to the position of production superintendent in June 1994 and served in the same position until May 1997. From May 1997 to May 2002, he worked as a material manager at Altum Precision Pte Ltd, a company which manufactures and markets die-casting and precision machining based components. From September 2003 to November 2005, he was employed as a logistics manager by Hi-P International Limited, a global manufacturer in the telecommunications, lifestyle, computing and automotive industries. From September 2007 to April 2008, he worked as a logistics/erp program manager at Fischer Tech Ltd, a specialist manufacturer of high volume precision engineering plastic components.

From November 2005 to March 2007, Mr. Foo joined the Group as material manager, during which he was responsible for production planning and control, purchasing, inventory and logistics control, vendor selection and management and communication and coordination of delivery arrangements with customers of the Group. Mr. Foo rejoined the Group in May 2008 as sales and customer service senior manager. He has since been responsible for managing customer accounts, obtaining and negotiating quotations, managing marketing activities such as organizing and participating in overseas trade shows, following up on introduction of new products, monitoring product costing, controlling annual financial budgets and reviewing and monitoring production performances.

Mr. Wong Quee Seng (黃桂成) (“Mr. Wong”), aged 51, joined the Group in July 1993. Mr. Wong is currently the toolroom manager of Inzign and is primarily responsible for the design of products, tooling quotation, schedule plan and manufacturing process.

Mr. Wong was awarded a diploma in precision engineering by Nanyang Polytechnic in Singapore in December 2003.

Mr. Wong has been employed by the Group for over 20 years. He joined Inzign as a trainee machinist in July 1993, during which he was responsible for operating CNC milling, surface grinding machine, jig grinding machine and fabricating mold plates. He then worked as a mold

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

designer from 1997 to 2005, during which his responsibilities included creating conceptual mold designs, electrode designs and 3D CAD designs, constructing detailed 2D drawings and programming CAD/CAM for machinists. He was promoted as a senior designer in 2005, during which he was responsible for the whole spectrum of tooling designs, overseeing ISO processes for design and development, creating mold standard guidelines and reviewing all mold designs. He was put in charge of the designer team between 2012 to 2015. In 2016, Mr. Wong was promoted to toolroom manager, since when he also became responsible for overlooking the incentive scheme for toolroom, giving toolroom working instructions, planning tooling fabrication and providing tooling quotations.

None of our senior management has held any directorship in any listed companies in the last three years.

COMPANY SECRETARY

Mr. Lau Chung Wai (劉仲緯) (“Mr. Lau”), aged 38, was appointed as our company secretary on 25 August 2017.

Mr. Lau obtained his bachelor in business administration from the Hong Kong University of Science and Technology in 2004.

Mr. Lau has over 15 years of experience in accounting and finance. From September 2004 to September 2011, he was a manager of the assurance service team in Ernst & Young. From September 2011 to April 2013, he was a finance manager in a media company which is a subsidiary of Publicis Groupe SA, Starcom, a company listed on the Euronext Paris (stock code: PUB). From May 2013 to July 2015, he was a group financial controller of an enterprise engaging in the manufacturing of furniture and home decoration products in the PRC. From August 2015 to March 2019, he was the chief financial officer and company secretary of Da Sen Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1580), and was responsible for overseeing the investment legal and financial affairs. Since March 2019, he has been the chief financial officer and company secretary of Kwung’s Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1925), and is responsible for overseeing the investment, compliance and financial affairs.

Mr. Lau is a fellow practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lau does not act as an individual employee of our Company, but as an external service provider in respect of the appointment of Mr. Lau as the company secretary of the Company. Pursuant to paragraph F.1.1 of the Corporate Governance Code, the Company can engage an external service provider as its company secretary, provided that the Company should disclose the identity of a person with sufficient seniority at the issuer whom the external service provider can contact. While the Company is well aware of the importance of the company secretary in supporting the Board on governance matters, after having considered Mr. Lau’s experience, both the Company and Mr. Lau are of the view that there are sufficient time, resources and support for fulfilment of the company secretary requirements of the Company.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for FY2020.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**Code**") in Appendix 15 to the GEM Listing Rules. Save for Code Provision A.2.1, the Company had complied with the code provisions in the Code for FY2020.

Paragraph A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Phua currently holds both positions. Considering that Mr. Phua has been operating and managing the Group since 1981, the Board consider Mr. Phua is the best candidate for both positions and the present arrangement is beneficial and in the interests of the Company and its shareholders as a whole.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**").

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibility such as approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's business is the responsibility of the management of the Group (the "**Management**").

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

CORPORATE GOVERNANCE REPORT

Board Composition

Up to the date of this report, the Board comprises seven Directors, including three executive Directors, one non-executive Director and four independent non-executive Directors (“INEDs”). In particular, the composition of the Board is set out as follows:

Executive Directors

Mr. Phua Swee Hoe (*Chairman*)

Ms. Ng Hong Kiew

Ms. Wu Haiyan (appointed on 17 August 2020)

Mr. Yang Jianyuan (retired on 29 May 2020)

Non-executive Director

Mr. Tay Koon Chuan

Independent Non-executive Directors

Mr. Tan Yew Bock

Mr. Kwa Teow Huat (appointed on 22 April 2020)

Mr. Au Chi Fung (appointed on 8 May 2020)

Ms. Huang Jiawen (appointed on 7 August 2020)

Mr. Ong Kian Guan (resigned on 30 April 2020)

Mr. Chow Wen Kwan (resigned on 8 May 2020)

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of four INEDs where the number of INEDs represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement.

The Company has entered into a service agreement with each of the non-executive Director and INEDs for a term of one year, which may be terminated earlier by no less than one month written notice served by either party on the other in writing.

The Company has received annual written confirmations from all INEDs with regards to their independence, and therefore the Company still consider, based on the guidelines set out in Rule 5.09 of the GEM Listing Rules, that all independent INEDs to be independent.

In accordance with Articles 84(1) and 84(2) of the articles of association of the Company (the “Articles”), one-third of the Directors, (or, if the number of Directors is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Saved as disclosed in the section headed “Biographical details of Directors and senior management” in this report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

CORPORATE GOVERNANCE REPORT

Meetings

In FY2020, two general meetings and eight regular Board meetings were held.

The attendance of the respective Directors at the meetings held in FY2020 are set out below:

	Attendance record of meetings held in 2020					
	Annual General Meeting	Extraordinary General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors						
Mr. Phua Swee Hoe (Chairman)	1/1	1/1	8/8	N.A.	5/5	5/5
Ms. Ng Hong Kiew	1/1	1/1	8/8	N.A.	N.A.	N.A.
Ms. Wu Haiyan (appointed on 17 August 2020)	N.A.	N.A.	1/8	N.A.	N.A.	N.A.
Mr. Yang Jiang Yuan (retired on 14 May 2020)	N.A.	1/1	2/8	N.A.	N.A.	N.A.
Non-executive Director						
Mr. Tay Koon Chuan	1/1	1/1	8/8	N.A.	N.A.	N.A.
Independent non-executive Directors						
Mr. Tan Yew Bock	1/1	1/1	8/8	5/5	5/5	5/5
Mr. Kwa Teow Huat (appointed on 22 April 2020)	1/1	N.A.	5/8	3/5	3/5	N.A.
Mr. Au Chi Fung (appointed on 8 May 2020)	1/1	N.A.	4/8	3/5	N.A.	2/5
Ms. Huang Jiawen (appointed on 7 August 2020)	N.A.	N.A.	2/8	N.A.	N.A.	N.A.
Mr. Ong Kian Guan (resigned on 30 April 2020)	N.A.	0	3/8	2/5	2/5	2/5
Mr. Chow Wen Kwan (resigned on 8 May 2020)	N.A.	0	3/8	2/5	N.A.	2/5

CORPORATE GOVERNANCE REPORT

According to the current practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Such Director must abstain from voting and will not be counted as quorum.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Phua currently holds both positions. Since establishment of the Group in 1981, Mr. Phua has been the key leadership figure of the Group and has been deeply involved in the formulation of business strategies and determination of the overall direction of the Group. Mr. Phua has also been chiefly responsible for the Group's operations as he directly supervises the Executive Directors (other than himself) and members of the Group's senior management. Taking into account the continuation of the implementation of the Group's business plans, Directors (including the independent non-executive Directors) consider Mr. Phua as the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the shareholders of the Company as a whole.

RELATIONSHIPS AMONG MEMBERS OF THE BOARD

Save for Mr. Phua and Ms. Ng being spouses of each other, there are no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of directors and senior management" of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry made with all the Directors, each of them has confirmed that they have fully complied with the required standard of dealings during FY2020, and no incident of non-compliance was noted by the Company during such period.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

In FY2020, the Company has complied with code provision A.6.5 of the Code that all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established. An audit committee (the “**Audit Committee**”) has been established on 19 December 2017 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions C.3.3 and C.3.7 of the Code; a remuneration committee (the “**Remuneration Committee**”) has been established on 19 December 2017 with its terms of reference in compliance with code provision B.1.2 of the Code; and a nomination committee (the “**Nomination Committee**”) has been established on 19 December 2017 with terms of reference in compliance with code provision A.5.2 of the Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group’s website (www.inzign.com) and the website of the Stock Exchange. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, namely Mr. Kwa Teow Huat (Chairman), Mr. Tan Yew Bock and Mr. Au Chi Fung all of whom are INEDs. The members of the Audit Committee shall be confined to non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

In FY2020, five Audit Committee meetings were held and the members’ attendance is shown on page 19 of this report.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05 (2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

The major roles and functions of the Audit Committee are as follows:

- (i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;
- (ii) to discuss with the external auditor the nature and scope of the audit;
- (iii) to review the quarterly, interim and annual financial statements before submission to the Board;
- (iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

CORPORATE GOVERNANCE REPORT

- (v) to review the external auditor's management letter and management's response; and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and
- (vii) to consider any findings of major investigations of internal control and risk management matters and management's responses.

Pursuant to the meetings of the Audit Committee, the Audit Committee had discussed internal controls and financial reporting matters for FY2020. The Audit Committee had also reviewed audited annual results for FY2020, this report, and confirmed that this report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Tan Yew Bock (Chairman), Mr. Phua Swee Hoe and Mr. Kwa Teow Huat. Save for Mr. Phua Swee Hoe, who is an executive Director, the members of the Remuneration Committee are INEDs of the Company.

In FY2020, five Remuneration Committee meetings were held and the members' attendance is shown on page 19 of this report.

The major roles and functions of the Remuneration Committee are as follows:

- (i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;
- (ii) to review annually the performance of the executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;
- (iii) to review and recommend the compensation payable to executive Directors relating to any loss or termination of their office or appointment;
- (iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- (v) be responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his associates is involved in deciding his own remuneration.

In FY2020, the Remuneration Committee has reviewed and made recommendation on the remuneration package of senior management of the Group.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Mr. Phua Swee Hoe (Chairman), Mr. Tan Yew Bock and Mr. Au Chi Fung. Save for Mr. Phua Swee Hoe, who is an executive Director, the members of the Nomination Committee are INEDs of the Company.

In FY2020, five Nomination Committee meetings were held and the members' attendance is shown on page 19 of this report.

The major roles and functions of the Nomination Committee are as follows:

- (i) to review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (ii) to identify individual suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (iii) to assess the independence of INEDs;
- (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; and
- (v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

The Nomination Committee also developed and followed the Board Diversity Policy to ensure a balance of Board members in terms of skills, experience and diversified perspectives, and thus to elevate the efficiency of the Board and maintain a high level of corporate governance. Pursuant to the Board Diversity Policy, all appointments under the Board are based on meritocracy with due regard for the benefits of a diverse Board. Selection of candidates is based on a range of diversity aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company may declare and pay dividends to the shareholders of the Company by way of cash or by other means that the Board considers appropriate. In recommending dividends to allow the shareholders of the Company to participate in the Company's profits, the Board would also ensure the Company has adequate reserves for future growth. The Board's decisions to declare or to pay any dividends in the future, and the amount of such dividends will depend upon, among other things, the current and future operations, financial condition, liquidity position and capital requirements of the Group, as well as dividends received from the Company's subsidiaries, which in turn will depend on the ability of those subsidiaries to pay a dividend. In addition, any final dividends for a financial year will be subject to the approval of shareholders of the Company. The declaration and payment of dividends by the Company is also subject to any applicable restrictions under the laws of the Cayman Islands, the laws of Hong Kong, the Company's Articles of Association and any other applicable laws, rules and regulations.

AUDITOR'S REMUNERATION

In FY2020, the Group engaged BDO Limited ("**BDO**") as the Group's external auditor. The remuneration paid and payable to BDO is set out as follows:

Services rendered	Fees paid/payable (S\$'000)
Audit services	289
Non-audit services	27
	<u>316</u>

COMPANY SECRETARY

Mr. Lau Chung Wai ("**Mr. Lau**") was appointed as the company secretary of our Company on 25 August 2017. Please refer to the section headed "Biographical details of directors and senior management" of this report for his biographical information.

The contact persons of the Company for Mr. Lau being the external service provider is Ms. Ng Hong Kiew, the Group's Compliance Officer, and Ms. Ng Pei Eng, the Group's Chief Financial Officer, in relation to any corporate secretarial matters.

In FY2020, Mr. Lau has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Ms. Ng Hong Kiew, an executive Director, is the compliance officer of the Group. Please refer to the section headed “Biographical details of Directors and senior management” of this report for her biographical information.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the senior management are responsible for improving and monitoring the risk management and internal control of the Group. In this regard, the Audit Committee has performed a review of the risk management and internal control system of the Group within the Reporting Period in which the results were summarized and reported to the Board. The Board has also conducted a review of the effectiveness of the risk management and internal control system of the Group. The Group did not have an internal audit function and has engaged Fuson Business Advisory Limited to review the internal controls and recommend improvements to increase its effectiveness. The risk management and internal control system of the Group is considered by the Board to be effective.

DIRECTORS’ AND AUDITOR’S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required by the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for FY2020 have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company’s external auditor’s responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor’s Report of this report.

COMMUNICATION WITH SHAREHOLDERS

The Company strives for maintaining effective and on-going communication with and timely disclosing useful information to the shareholders and potential investors of the Company. The Directors hold annual general meeting yearly to meet the shareholders of the Company, and publish and distribute annual, interim and quarterly reports for providing updated financial performance and business developments of the Company to the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax to (65) 6297 2907 or by email to enquiry@inzign.com.

Procedures for putting forward proposals at general meetings by Shareholders

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. Shareholders can also send enquires and proposals putting forward for shareholders' consideration at shareholders' meetings to the Board in writing to the head office and principal place of business of the Company or directly by raising questions at the general meeting of the Company.

The addresses of the Company's head office and the Company's share registrars can be found in the section headed "Corporate information" of this report.

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meetings, public announcements and financial reports. The investors are also able to access the latest news and information of the Group via our website www.inzign.com.

In order to maintain good and effective communication, the Group together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: 16 Kallang Place
#02-10
Singapore 339156

Email: enquiry@inzign.com

Significant Changes in Constitutional Documents

There were no significant changes in the Company's constitutional documents in FY2020.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements for FY2020.

PRINCIPAL ACTIVITIES

The Group are principally engaged in i) the manufacture and sale of injection molded plastic parts for disposable medical devices and the provision of tooling services in Singapore; ii) Chinese liquor trading and development; and iii) manufacturing and installation of amusement machines and equipment in the PRC.

BUSINESS REVIEW

Further discussion and analysis of the activities of the Group in FY2020, and an indication of likely future developments in the Group's business as required by Schedule 5 to the Companies Ordinance, Chapter 622, can be found in the section headed "Management discussion and analysis" of this report. Those discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties of the Group in FY2020 are set out in Note 3 and Note 4 to the consolidated financial statements.

RESULT AND APPROPRIATIONS

The results of the Group for the FY2020 are set out in the consolidated statement of comprehensive income in this report.

The Board did not propose any final dividend to shareholders of the Company for FY2020.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company will be held on 31 May 2021 (Monday), the register of members of the Company will be closed from 26 May 2021 to 31 May 2021 (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 25 May 2021 in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The share registrar and transfer office is at:

Address: Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 14 February 2020, the dual foreign name in Chinese of the Company has been changed from “迎宏控股有限公司” to “官酝控股有限公司”, the English name of the Company “IAG Holdings Limited” remains unchanged.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the five financial years are set out on pages 113 to 114 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to ensuring that the Group's operation is in compliance with applicable laws and regulations. As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2020 are set out in Note 32 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 December 2020 was 460,000,000 ordinary shares of HK\$0.01 each.

Details of movements of the share capital and the share premium of the Company during the Reporting Period are set out in Note 23 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remuneration of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group in FY2020 are set out in Note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the reserves of the Company available for distribution, as calculated under the provisions of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of Cayman Islands, was approximately S\$15.9 million (FY2019: S\$8.9 million) inclusive of share premium, reserves and retained earnings/(accumulated losses).

DIRECTORS

The Directors of the Company during FY2020 and up to the date of this report were:

Executive Directors:

Mr. Phua Swee Hoe (*Chairman*)

Ms. Ng Hong Kiew

Ms. Wu Haiyan (appointed on 17 August 2020)

Mr. Yang Jianyuan (retired on 29 May 2020)

Non-executive Director:

Mr. Tay Koon Chuan

Independent Non-executive Directors:

Mr. Tan Yew Bock

Mr. Kwa Teow Huat (appointed on 22 April 2020)

Mr. Au Chi Fung (appointed on 8 May 2020)

Ms. Huang Jiawen (appointed on 7 August 2020)

Mr. Ong Kian Guan (resigned on 30 April 2020)

Mr. Chow Wen Kwan (resigned on 8 May 2020)

Mr. Yang Jianyuan retired as an executive Director on 29 May 2020 and he did not offer himself for re-election in the 2020 AGM. Mr. Yang Jianyuan confirmed that he has no disagreement with the Board and that there are no other matters in relation to his retirement that need to be brought to the attention of the shareholders of the Company.

Mr. Ong Kian Guan and Mr. Chow Wen Kwan resigned as INEDs on 30 April 2020 and 8 May 2020 respectively. Mr. Ong Kian Guan and Mr. Chow Wen Kwan have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needs to be brought to the attention of the shareholders of the Company.

The Directors' biographical details are set out in the section headed "Biographical details of directors and senior management" in this report.

Information regarding directors' emoluments is set out in Note 10 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years and shall continue thereafter until terminated by either party giving not less than three months' written notice.

Each of the INEDs and non-executive Director has entered into a service agreement with the Company for a term of one year, which may be terminated earlier by no less than one month written notice served by either party on the other.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

In accordance with Article 83 of the Articles, any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

PERMITTED INDEMNITY

In FY2020, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

DIRECTORS' REPORT

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporation

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in shares of the Company

Name	Capacity/ Nature of interest	Number of shares held/ Interested ⁽¹⁾	Percentage of shareholding
Mr. Phua Swee Hoe ("Mr. Phua")	Interest in controlled corporation ⁽²⁾ / Interest of spouse ⁽³⁾	204,000,000 (L)	44.35%
Ms. Ng Hong Kiew ("Ms. Ng")	Interest of spouse ⁽³⁾	204,000,000 (L)	44.35%
Ms. Wu Haiyan ("Ms. Wu")	Beneficial owner	52,694,000 (L)	11.46%

Notes:

1. The letter "L" denotes the person's long position in the relevant shares of the Company.
2. All the issued shares of Team One Global Limited are legal and beneficially owned as to 87.9% and 12.1% by Mr. Phua and Ms. Ng, respectively. Accordingly, Mr. Phua is deemed to be interested in 204,000,000 shares of the Company held by Team One Global Limited by virtue of the SFO.
3. Mr. Phua and Ms. Ng are spouses. Therefore, Ms. Ng is deemed to be interested in shares of the Company held by Mr. Phua, pursuant to the SFO.

(ii) *Interest in Associated Corporation*

Name of director	Name of associated corporation	Directly beneficially owned	No. of shares held	% of the issued voting shares of associated corporation
Ms. Wu ⁽¹⁾	深圳御鑒酒業有限公司(“御鑒酒業”)	49% of the issued share capital of 御鑒酒業	—	49

Note:

1. 御鑒酒業, a company established in the PRC, is 51% owned by 深圳酷貴酒業有限公司, an indirect wholly-owned subsidiary of the Company.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

So far is known to the Directors, as at 31 December 2020, the following persons/entities (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity/ Nature of interest	Number of shares held/ Interested ⁽¹⁾	Percentage of shareholding
Team One Global Limited	Beneficial owner ⁽²⁾	204,000,000 (L)	44.35%
Ms. Shi Hui Ling	Beneficial owner	30,000,000 (L)	6.52%

Notes:

1. The letter "L" denotes the person's long position in the relevant shares of the Company.
2. All the issued shares of Team One Global Limited are legal and beneficially owned as to 87.9% and 12.1% by Mr. Phua and Ms. Ng, respectively. Accordingly, Mr. Phua is deemed to be interested in 204,000,000 shares of the Company held by Team One Global Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS

In FY2020, the Group's five largest customers accounted for approximately 89.6% (FY2019: 99.8%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 36.0% (2019: 49.7%) of the total revenue.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

In FY2020, the Group's five largest suppliers accounted for approximately 64.2% (2019: 78.0%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 19.1% (2019: 32.1%) of the total purchases.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during FY2020 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During FY2020, the Group had no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

COMPETING BUSINESS AND CONFLICT OF INTERESTS

As at the date of this report, none of the Directors, substantial shareholders of the Company and any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete, either directly, or indirectly, with the business of the Group or has any other conflict of interests with the Group.

DIRECTORS' REPORT

COMPLIANCE ADVISER'S INTERESTS

As at the date of this report, save and except for the compliance adviser's agreement entered into between the Company and Fortune Financial Capital Limited (the "**Compliance Adviser**") dated 26 August 2017, neither the Compliance Adviser nor its directors, employees or associates had any interest in relation to the Company which is required to be notified to the Company pursuant to Rules 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2020.

CORPORATE GOVERNANCE CODE (THE "CODE")

Please refer to the Corporate Governance Report on pages 17 to 27 of this report for details of the Company's compliances with the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry made with all the Directors, each of them has confirmed that they have fully complied with the required standard of dealings throughout the period from the Listing Date to the date of this report, and no incident of non-compliance was noted by the Company during FY2020.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 19 December 2017 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share options has been granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2020.

The principal terms of the Share Option Scheme are summarised as follows:

1. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.
2. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

3. The limit on the total number of Shares which may be issued upon exercise of all options under the Share Option Scheme and any other share option schemes which may be adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted must not, in aggregate, exceed 10% of the Shares in issue as at the date of the listing of the Shares of the Stock Exchange, i.e. 19 January 2018 (which shall be 40,000,000 Shares) unless Shareholders' approval has been obtained, and which must not exceed 10% of the Shares in issue from time to time.
4. The total number of Shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of our Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting.
5. The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to each participant and shall be at least the higher of: (i) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; or (iii) the nominal value of the Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before Listing.
6. (i) No offer for the grant of options may be made after any inside information has come to the knowledge of the Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - (b) the deadline for our Company to publish an announcement of the results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules).

DIRECTORS' REPORT

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.
- 7. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.
- 8. The Share Option Scheme will remain in force for a period of ten years commencing on its adoption date, i.e. 19 December 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued shares were held by the public as at the date of this report.

SUBSEQUENT EVENTS

Details of significant events after the year are set out in Note 34 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has discussed and reviewed the annual report for FY2020, and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

AUDITOR

On 29 May 2020, PricewaterhouseCoopers of Singapore ("**PwC SG**") retired as the auditor of the Company upon expiration of its term of office and BDO Limited was appointed as the auditor of the Company on 29 May 2020 to fill the vacancy following the retirement of PwC SG. Please refer to the Company's announcement of 22 April 2020 for more details regarding the change of auditor.

On behalf of the Board
IAG Holdings Limited
Phua Swee Hoe
Chairman and Executive Director

Singapore, 30 March 2021

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IAG HOLDINGS LIMITED *(incorporated in the Cayman Islands with limited liability)*

OPINION

We have audited the consolidated financial statements of IAG Holdings Limited ("**the Company**") and its subsidiaries (together "**the Group**") set out on pages 45 to 112, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of goodwill

Refer to Notes 2.7, 2.8, 4 and 16 to the consolidated financial statements.

As at 31 December 2020, the net carrying amount of goodwill of the Group amounted to S\$6,845,000.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Impairment assessment of goodwill (Continued)

Management tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The recoverable amount of the cash-generating unit ("CGU") has been determined based on fair value less costs of disposal. Management has engaged an independent professional valuer to determine the fair value less costs of disposal of the CGU. The directors of the Company concluded that, based on the assessment result, the goodwill was not impaired.

We focused on this area due to (a) the magnitude of the carrying amount of goodwill; and (b) the assessment involved significant judgements and estimates, including the valuation multiple, marketability discount and control premium applied to the estimate of the recoverable amount of the CGU.

Our responses:

Our audit procedures in relation to the management's impairment assessment of goodwill included:

- evaluating the independent professional valuer's objectivity and competency;
- evaluating the valuation methodology adopted and assessing the appropriateness of the key assumptions adopted in the valuation by the independent professional valuer, with the involvement of our internal valuation expert; and
- checking the accuracy and relevance of the input data used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hong Kong Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Hong Kong Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2020.

BDO Limited

Certified Public Accountants

Cheung Or Ping

Practising Certificate Number P05412

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 S\$'000	2019 S\$'000
Revenue	6	23,782	15,212
Cost of sales	9	(18,551)	(13,691)
Gross profit		5,231	1,521
Other income	7	1,122	214
Other gains/(losses) — net	8	50	(7)
Selling and distribution expenses	9	(413)	(359)
Administrative expenses	9	(4,563)	(3,001)
Operating profit/(loss)		1,427	(1,632)
Finance costs	11	(310)	(318)
Profit/(loss) before income tax		1,117	(1,950)
Income tax (expense)/credit	12	(380)	230
Profit/(loss) for the year		737	(1,720)
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		143	1
Total comprehensive income for the year		880	(1,719)
Profit/(loss) attributable to:			
Equity holders of the Company		784	(1,660)
Non-controlling interests		(47)	(60)
		737	(1,720)
Total comprehensive income attributable to:			
Equity holders of the Company		927	(1,659)
Non-controlling interests		(47)	(60)
		880	(1,719)
Earnings/(loss) per share attributable to equity holders of the Company		S cents	S cents
— Basic	13	0.17	(0.42)
— Diluted	13	0.16	(0.42)

The notes on pages 51 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 S\$'000	2019 S\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,626	1,905
Right-of-use assets	15	3,392	4,507
Goodwill	16	6,845	—
Intangible assets	16	796	59
Investment in a key management insurance contract	17	953	898
		<u>13,612</u>	<u>7,369</u>
Current assets			
Inventories	21	4,064	913
Trade and other receivables	20	9,649	5,413
Contract assets	6	457	639
Cash and cash equivalents	22	4,377	3,458
		<u>18,547</u>	<u>10,423</u>
Total assets		<u>32,159</u>	<u>17,792</u>
EQUITY AND LIABILITIES			
Capital and reserve attributable to equity holders of the Company			
Share capital	23	793	689
Share premium	23	15,127	8,885
Capital reserve	24	3,118	3,118
Other reserve	24	1,904	—
Currency translation reserve		144	1
Accumulated losses		(3,913)	(4,697)
		<u>17,173</u>	<u>7,996</u>
Non-controlling interests		507	21
Total equity		<u>17,680</u>	<u>8,017</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 S\$'000	2019 S\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	879	72
Lease liabilities	15	1,951	3,047
Provision	27	1,427	1,427
Deferred income tax liabilities	19	131	7
		<u>4,388</u>	<u>4,553</u>
Current liabilities			
Trade and other payables	25	4,274	2,863
Borrowings	26	642	832
Lease liabilities	15	1,641	1,514
Contract liabilities	6	3,251	—
Current income tax liabilities		283	13
		<u>10,091</u>	<u>5,222</u>
Total liabilities		<u>14,479</u>	<u>9,775</u>
Total equity and liabilities		<u>32,159</u>	<u>17,792</u>

The consolidated financial statements on pages 45 to 112 were approved for issue by the Board of Directors on 30 March 2021 and were signed on its behalf.

Mr. Phua Swee Hoe
Director

Ms. Ng Hong Kiew
Director

The notes on pages 51 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Attributable to equity holders of the Company						Non-controlling interests	Total equity	
		Share capital	Share Premium	Capital reserve	Other reserve	Currency translation reserve	Accumulated losses			Total
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Balance as at 1 January 2019		689	8,885	3,118	—	—	(3,037)	9,655	(8)	9,647
Total comprehensive income for the year										
Loss for the year		—	—	—	—	—	(1,660)	(1,660)	(60)	(1,720)
Other comprehensive income		—	—	—	—	1	—	1	—	1
		—	—	—	—	1	(1,660)	(1,659)	(60)	(1,719)
Transactions with owners recognised directly in equity										
Non-controlling interests on acquisition of subsidiaries	30	—	—	—	—	—	—	—	(7)	(7)
Contributions of equity from non-controlling interests	30	—	—	—	—	—	—	—	96	96
Balance as at 31 December 2019		689	8,885	3,118	—	1	(4,697)	7,996	21	8,017
Balance as at 1 January 2020		689	8,885	3,118	—	1	(4,697)	7,996	21	8,017
Total comprehensive income for the year										
Profit/(loss) for the year		—	—	—	—	—	784	784	(47)	737
Other comprehensive income for the year		—	—	—	—	143	—	143	—	143
		—	—	—	—	143	784	927	(47)	880
Transactions with owners recognised directly in equity										
Issue of shares as consideration for a business combination	30	104	6,242	—	1,904	—	—	8,250	—	8,250
Non-controlling interests on acquisition of subsidiaries	30	—	—	—	—	—	—	—	533	533
Balance as at 31 December 2020		793	15,127	3,118	1,904	144	(3,913)	17,173	507	17,680

The notes on pages 51 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 S\$'000	2019 S\$'000
Cash flows from operating activities			
Profit/(loss) before income tax		1,117	(1,950)
Adjustments for:			
— Depreciation of property, plant and equipment	9	535	685
— Depreciation of right-of-use assets	9	1,791	1,483
— Amortisation of intangible assets	9	96	14
— Impairment of goodwill	9	—	11
— (Gain)/loss on disposal of property, plant and equipment	8	(85)	3
— Gain on lease modification	8	(3)	—
— Finance costs	11	310	318
— Changes in carrying value of investment in a key management insurance contract	8	(55)	(34)
Operating profit before working capital changes		3,706	530
Changes in working capital:			
— Inventories		(367)	337
— Trade and other receivables		(2,230)	(1,175)
— Contract assets		182	(8)
— Trade and other payables		(511)	1,130
— Contract liabilities		2,415	—
Cash generated from operations		3,195	814
Income tax paid		(102)	(36)
Net cash generated from operating activities		3,093	778
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	30	99	(4)
Contributions of equity from non-controlling interest	30	—	96
Purchase of property, plant and equipment	14	(243)	(995)
Expenditure incurred for a right-of-use asset		(17)	—
Purchase of intangible assets		(2)	(3)
Net cash used in investing activities		(163)	(906)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 S\$'000	2019 S\$'000
Cash flows from financing activities	33		
Proceeds from borrowings		4,555	2,467
Repayment of borrowings		(4,768)	(3,706)
Principal elements of lease payment		(1,635)	(1,271)
Interest expenses paid		(310)	(318)
Net cash used in financing activities		(2,158)	(2,828)
Net increase/(decrease) in cash and cash equivalents		772	(2,956)
Cash and cash equivalents at beginning of the year	22	3,458	6,411
Effects of currency translation on cash and cash equivalents		147	3
Cash and cash equivalents at end of the year	22	4,377	3,458

The notes on pages 51 to 112 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL INFORMATION

IAG Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 17 July 2017 under 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, Cayman Islands. The principal place of business of the Company is located at 16 Kallang Place, #02-10 Singapore 339156.

The Company is an investment holding company and its subsidiaries (together the “**Group**”) are principally engaged in i) the manufacture and sale of injection molded plastic parts for disposable medical devices and the provision of tooling services in Singapore; ii) Chinese liquor trading; and iii) development, manufacturing, sales and installation of amusement machines and equipment in the Peoples’ Republic of China (“**PRC**”).

The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the year, the Company acquired Savour Talent Global Limited (“**Savour**”) and its subsidiaries (together the “**Savour Group**”) that are principally engaged in the business of development, manufacturing, sales and installation of amusement machines and equipment in the PRC as detailed in Note 30.

The consolidated financial statements are presented in thousands of Singapore dollars (“**S\$’000**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the 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**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the rules governing the listing of securities on the GEM. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

(a) *New and amended standards adopted by the Group*

The Group has adopted and applied, for the first time, the following new standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform
IFRS 3 (Amendment)	Definition of business
Conceptual framework for 2018 Reporting	Amendments to the conceptual framework

These new or amended standards and interpretation did not have any material impact on the Group's accounting policies.

(b) *New standards and interpretations not yet adopted*

Certain new accounting standards, amendments to existing standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on 1 January 2020 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for accounting period beginning on or after
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	1 January 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Subsidiaries (Continued)

Business combinations (Continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM") and those charged with governance.

The CODM assesses the financial performance and position of the Group and makes strategic decisions. The CODM has been identified as the executive directors of the Group.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements is presented in S\$'000, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- (ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Air conditioner	7 years
Electrical installations	7 years
Factory equipment, machinery and cleanroom facilities	5 to 7 years
Factory furniture	10 years
Office equipment, furniture and fittings	4 years
Renovations	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains/losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) — net" in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.7 Intangible assets and goodwill

Customer relationships, trademarks, patents and licences

Separately acquired Customer relationships, trademark, patents and licences are recognised at historical cost. Customer relationships, trademark, patents and licences acquired in a business combination are recognised at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to amortise the cost over the estimated useful lives of 5 to 10 years.

Goodwill

Goodwill on acquisitions of subsidiaries is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("**CGUs**") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

2.8 Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.9 Investments and other financial assets

(a) *Classification*

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classifies its financial assets at amortised cost.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, financial assets at amortised cost are measured at transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristic of the assets.

Financial assets at amortised cost are assets that are held for collection of contractual cash flows where cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the statement of financial position date, in which case they are presented as non-current liabilities.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.17 Current and deferred income tax

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

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.18 Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.19 Employee benefits

(a) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(c) *Bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.20 Revenue recognition

(a) *Sales of goods*

The Group manufactures and sells a range of injection molded plastic parts for disposable medical devices and amusement machines and equipment. The Group also sells Chinese liquor.

Sales are recognised when control of the products has transferred. At contract inception, the Group assesses whether the Group transfers control of the goods over time or at a point in time by determining if:

- (i) its performance does not create an asset with an alternative use to the Group; and
- (ii) the Group has an enforceable right to payment for performance completed to date.

The injection molded plastic parts has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment in contracts with certain customers. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the injection molded plastic parts. The measure of progress is determined based on the actual cost incurred to the end of the reporting period as a proportion of the total expected cost to be provided.

For contracts where the Group does not have enforceable right to payment, revenue is recognised only when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) *Provision of tooling services*

The Group also provides tooling services to customers under fixed-price contracts. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, and each service takes a few days to complete. As such, revenue from providing tooling services is recognised at a point in time when the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.20 Revenue recognition (Continued)

(c) Interest income

Interest income is recognised using the effective interest method.

2.21 Leases

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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.21 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal 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.

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.

Right-of-use assets are generally depreciated over the remaining lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of property, equipment and vehicles 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.

2.22 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.23 Provisions

Provisions for asset reinstatement are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated. Provisions are not recognised for future operating loss.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group has exposure to foreign exchange risk as a result of sales and purchases that are denominated in currencies other than the functional currencies to which the operations relate. The foreign currencies giving rise to this risk are primarily Renminbi ("**RMB**") and United States dollar ("**USD**"). The exposure to foreign currency risk is not significant during the year.

(ii) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings at variable rates exposes the Group to cash flow interest rate risk.

The Group manages its interest cost by using a mix of fixed and variable rate debt and to obtain the most favourable interest rates available.

The sensitivity analysis for changes in interest rate is not disclosed as the effect on the consolidated statement of comprehensive income is considered not significant.

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, deposits with banks and credit exposures to customers, including outstanding receivables.

Credit risk is managed on a group basis. Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis.

The Group's trade receivables are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the impairment loss is expected to be immaterial.

Management applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets of the Group. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance of the Group's trade receivables and contract assets as at 31 December 2019 and 2020 was determined as follows:

	2020	2019
Expected loss rate	0%	0%
	S\$'000	S\$'000
Gross carrying value of trade receivables (Note 20)	6,609	4,713
Gross carrying value of contract assets (Note 6)	457	639
Loss allowance	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item in the consolidated statement of comprehensive income.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term. As at 31 December 2020, the Group held cash and cash equivalents of S\$4,377,000 (2019: S\$3,458,000), that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future. As at 31 December 2020, the Group's total available banking facilities amounted to approximately S\$3,330,000 (2019: S\$800,000), of which approximately S\$1,449,000 (2019: S\$518,000) have been utilised.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the date of consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay.

Specifically, for borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand S\$'000	Less than one year S\$'000	One to five years S\$'000	Total S\$'000
As at 31 December 2020				
Trade and other payables	—	3,213	—	3,213
Borrowings	619	67	924	1,610
Lease liabilities	—	1,787	2,035	3,822
	<u>619</u>	<u>5,067</u>	<u>2,959</u>	<u>8,645</u>
As at 31 December 2019				
Trade and other payables	—	2,863	—	2,863
Borrowings	518	318	85	921
Lease liabilities	—	1,721	3,229	4,950
	<u>518</u>	<u>4,902</u>	<u>3,314</u>	<u>8,734</u>

The table below analyses the borrowings with a repayment on demand clause based on agreed repayment schedules set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	Less than one year S\$'000
As at 31 December 2020	<u>623</u>
As at 31 December 2019	<u>545</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net debt to capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and lease liabilities) less cash and bank balances. Total capital is calculated as "Total equity" as shown in the consolidated statement of financial position plus net debt.

	2020 S\$'000	2019 S\$'000
Total borrowings	5,113	5,465
Less: Cash and bank balances (Note 22)	(4,377)	(3,458)
Net debt	736	2,007
Total equity	17,680	8,017
Total capital	18,416	10,024
Net debt to capital ratio	4.0%	20%

3.3 Fair value estimation

The fair values of receivables and payables are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities. The fair values of financial assets and liabilities are estimated by discounting the future contractual cash flows at the current market interest-rate that is available to the Group for similar financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the CGU was determined based on fair value less costs of disposal which require the use of assumptions. Fair value less costs of disposal calculations require valuation technique which used prices and other relevant information generated by market transactions involving comparable companies with similar business scopes and operations, suitable valuation multiple, marketability discount and control premium.

The carrying amount of goodwill at the end of the reporting period was S\$6,845,000 (2019: Nil), and no impairment has been made. Details of recoverable amount calculation are disclosed in Note 16.

5 SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Group. The CODM monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment results which in certain respects, set out below, are presented differently from operating profit or loss in the consolidated financial statements of the Group. The Group's reportable operating segments are as follows:

- (i) component parts;
- (ii) sub-assembly parts;
- (iii) amusement machines and equipment; and
- (iv) Chinese liquor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5 SEGMENT INFORMATION (Continued)

(a) Segment results

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly depreciation and amortisation, selling and distribution expenses, administrative expenses, finance costs, other income and income tax (expense)/credit.

Segment breakdown for the year ended 31 December 2020:

	Component parts 2020 S\$'000	Sub- assembly parts 2020 S\$'000	Amusement machines and equipment 2020 S\$'000	Chinese liquor 2020 S\$'000	Total 2020 S\$'000
Revenue from external customers					
Recognised at a point in time	8,389	1,323	4,118	577	14,407
Recognised over time	2,822	6,553	—	—	9,375
Segment revenue	<u>11,211</u>	<u>7,876</u>	<u>4,118</u>	<u>577</u>	<u>23,782</u>
Segment gross profit	2,017	1,943	1,090	181	5,231
Unallocated expenses:					
Depreciation of property, plant and equipment					(79)
Depreciation of right-of-use assets					(175)
Amortisation of intangible assets					(96)
Finance costs					(310)
Others					(3,454)
Profit before income tax					1,117
Income tax expense					(380)
Profit for the year					<u>737</u>
Other segment items:					
Depreciation of property, plant and equipment	270	186	—	—	456
Depreciation of right-of-use assets	937	559	120	—	1,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5 SEGMENT INFORMATION (Continued)

(a) Segment results (Continued)

Segment breakdown for the year ended 31 December 2019:

	Component parts 2019 S\$'000	Sub- assembly parts 2019 S\$'000	Total 2019 S\$'000
Revenue from external customers			
Recognised at a point in time	7,159	1,311	8,470
Recognised over time	<u>2,534</u>	<u>4,208</u>	<u>6,742</u>
Segment revenue	<u>9,693</u>	<u>5,519</u>	<u>15,212</u>
Segment gross profit	435	1,086	1,521
Unallocated expenses:			
Depreciation of property, plant and equipment			(86)
Depreciation of right-of-use assets			(146)
Amortisation of intangible assets			(14)
Finance costs			(318)
Others			<u>(2,907)</u>
Loss before income tax			(1,950)
Income tax credit			<u>230</u>
Loss for the year			<u>(1,720)</u>
Other segment items:			
Depreciation of property, plant and equipment	386	213	599
Depreciation of right-of-use assets	<u>903</u>	<u>434</u>	<u>1,337</u>

(b) Segment assets and liabilities

The CODM does not monitor the measure of total assets and liabilities by each reportable segments for the purpose of allocating resources to segments and assessing their performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5 SEGMENT INFORMATION (Continued)

(c) Information about major customers

For the year ended 31 December 2020, revenue generated from our top two customers accounted for approximately 70.2% (2019: 84.0%) of the total revenue of the Group. These revenues are attributed to the component parts and sub-assembly parts segment.

External customers contribute over 10% of total revenue of the Group for the years ended 31 December 2019 and 2020 are as follows:

	2020 S\$'000	2019 S\$'000
Customer A	8,558	7,557
Customer B	8,138	5,215
	<u>16,696</u>	<u>12,772</u>

(d) Geographical segment

The following table shows the distribution of the Group's revenue from external customers based on the geographical location of the customers:

	2020 S\$'000	2019 S\$'000
Asia	15,606	9,856
Europe	8,138	5,214
Others	38	142
	<u>23,782</u>	<u>15,212</u>

The following table shows the distribution of the Group's non-current assets other than financial instruments, by country:

	2020 S\$'000	2019 S\$'000
PRC	7,999	—
Singapore	5,554	7,195
Indonesia	59	174
	<u>13,612</u>	<u>7,369</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6 REVENUE

	2020 S\$'000	2019 S\$'000
Sale of goods	23,119	14,762
Rendering of tooling services	663	450
	<u>23,782</u>	<u>15,212</u>

Assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and contract liabilities related to contracts with customers:

	2020 S\$'000	2019 S\$'000
Contract assets		
— Sale of goods	457	639
Contract liabilities		
— Sale of goods	<u>3,251</u>	<u>—</u>

Movement in contract liabilities:

	2020 S\$'000	2019 S\$'000
Balance as at 1 January	—	—
Acquisition from business combination (Note 30)	836	—
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities acquired from business combination	(763)	—
Increase in contract liabilities as a result of billing in advance of sale of goods	3,146	—
Exchange realignment	32	—
Balance as at 31 December	<u>3,251</u>	<u>—</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6 REVENUE (Continued)

Assets and liabilities related to contracts with customers (Continued)

The Group applies the practical expedient in IFRS 15 and does not disclose information about its remaining performance obligation if the performance obligation is part of a contract that has an original expected duration of one year or less.

7 OTHER INCOME

	2020 S\$'000	2019 S\$'000
Government grants	817	144
Sale of scrap material	270	70
Repair and maintenance service	35	—
	<u>1,122</u>	<u>214</u>

There are no unfulfilled conditions or other contingencies attaching to the government grants.

8 OTHER GAINS/(LOSSES) — NET

	2020 S\$'000	2019 S\$'000
Changes in carrying value of the investment in a key management insurance contract	55	34
Currency exchange losses, net	(93)	(38)
Gain/(loss) on disposal of property, plant and equipment (Note 33)	85	(3)
Gain on lease modification	3	—
	<u>50</u>	<u>(7)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9 EXPENSES BY NATURE

	2020 S\$'000	2019 S\$'000
Costs of inventories sold	11,224	6,852
Employee benefit expenses (Note 10)	6,235	5,063
Depreciation of property, plant and equipment (Note 14)	535	685
Depreciation of right-of-use assets (Note 15)	1,791	1,483
Amortisation of intangible assets (Note 16)	96	14
Impairment of goodwill (Note 30)	—	11
Expense relating to short-term leases (included in cost of sales and administrative expenses)	150	147
Entertainment	9	9
Utilities	1,008	962
Repair and maintenance of property, plant and equipment	488	513
Insurance	92	107
Travelling expenses	46	104
Printing and stationery	27	22
Telephone charges	34	27
Advertisement	42	24
Legal and professional fees	756	484
Auditor's remuneration		
— Audit services	311	176
— Non-audit services	27	18
Postage and courier service	5	3
Research and development expenses	459	149
Bank charges	19	40
Others	173	158
	23,527	17,051
Represented by:		
Cost of sales	18,551	13,691
Selling and distribution expenses	413	359
Administrative expenses	4,563	3,001
	23,527	17,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses during the year are as follows:

	2020 S\$'000	2019 S\$'000
Wages, salaries and allowances	5,173	4,006
Incentives	423	360
Retirement benefit costs		
— defined contribution plans	335	323
Others	304	374
	<u>6,235</u>	<u>5,063</u>

(b) Directors' emoluments

The emoluments of individual director of the Company paid/payable by companies comprising the Group during the years ended 31 December 2019 and 2020 are presented below.

The remuneration of each director for the year ended 31 December 2020 is set out below:

	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Bonus S\$'000	Employer's contribution to defined contribution plans S\$'000	Other benefits S\$'000	Total S\$'000
Executive directors						
— Mr. Phua Swee Hoe	54	233	38	6	—	331
— Ms. Ng Hong Kiew	30	106	18	8	—	162
— Ms. Wu Haiyan ⁽¹⁾	—	27	—	2	—	29
— Mr. Yang Jiangyuan ⁽²⁾	—	26	—	2	—	28
Non-executive director						
— Mr. Tay Koon Chuan	54	—	—	—	—	54
Independent non-executive directors						
— Mr. Tan Yew Bock	30	—	—	—	—	30
— Mr. Kwa Teow Huat ⁽³⁾	21	—	—	—	—	21
— Mr. Au Chi Fung ⁽⁴⁾	19	—	—	—	—	19
— Ms. Huang Jiawen ⁽⁵⁾	13	—	—	—	—	13
— Mr. Ong Kian Guan ⁽⁶⁾	10	—	—	—	—	10
— Mr. Chow Wen Kwan ⁽⁷⁾	11	—	—	—	—	11
	<u>242</u>	<u>392</u>	<u>56</u>	<u>18</u>	<u>—</u>	<u>708</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2019 is set out below:

	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Bonus S\$'000	Employer's contribution to defined contribution plans S\$'000	Other benefits S\$'000	Total S\$'000
Executive directors						
— Mr. Phua Swee Hoe	42	228	19	8	—	297
— Ms. Ng Hong Kiew	30	104	9	10	—	153
— Mr. Yang Jiangyuan ⁽²⁾	—	14	—	2	—	16
— Mr. Ang Lai Seng	4	11	7	2	—	24
Non-executive directors						
— Mr. Tay Koon Chuan	42	—	—	—	—	42
Independent non-executive directors						
— Mr. Tan Yew Bock	30	—	—	—	—	30
— Mr. Ong Kian Guan	30	—	—	—	—	30
— Mr. Chow Wen Kwan	30	—	—	—	—	30
— Mr. Lau Yau Chuen Louis	12	—	—	—	—	12
	<u>220</u>	<u>357</u>	<u>35</u>	<u>22</u>	<u>—</u>	<u>634</u>

Notes:

- (1) Ms. Wu Haiyan was appointed as an executive director on 17 August 2020.
- (2) Mr. Yang Jiangyuan was appointed and retired as an executive director on 1 November 2019 and 29 May 2020 respectively.
- (3) Mr. Kwa Teow Huat was appointed an independent non-executive director on 22 April 2020.
- (4) Mr. Au Chi Fung was appointed as an independent non-executive director on 8 May 2020.
- (5) Ms. Huang Jiawen was appointed as an independent non-executive director on 7 August 2020.
- (6) Mr. Ong Kian Guan has resigned as an independent non-executive director on 30 April 2020.
- (7) Mr. Chow Wen Kwan has resigned as an independent non-executive director on 8 May 2020.

During the years ended 31 December 2019 and 2020, none of the directors of the Company waived any emoluments paid or payable by the Group companies. During the years ended 31 December 2019 and 2020, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments (Continued)

(i) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2019 and 2020.

(ii) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment for the years ended 31 December 2019 and 2020.

(iii) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company for the years ended 31 December 2019 and 2020.

(iv) Information about loans, quasi-loans and other dealings in favour of directors, corporate bodies controlled by and connected entities with such directors

There are no loans, quasi-loans and other dealings entered into by the Group, where applicable, in favour of a director, for the years ended 31 December 2019 and 2020.

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the years ended 31 December 2019 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors for the year ended 31 December 2020 (2019: two), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals for the year ended 31 December 2020 (2019: three) are as follows:

	2020 S\$'000	2019 S\$'000
Wages, salaries and allowances	441	281
Bonus	31	7
Retirement benefit costs — defined contribution plans	34	40
	<u>506</u>	<u>328</u>

The emoluments of above individuals are within the following band:

	Number of individuals	
	2020	2019
Emoluments band HK\$1,000,001 to HK\$1,500,000 (Approximately from S\$177,900 to S\$266,850)	1	—
Nil to HK\$1,000,000 (approximately to S\$177,900)	2	3

11 FINANCE COSTS

	2020 S\$'000	2019 S\$'000
Interest expenses on:		
— Lease liabilities	220	262
— Borrowings:		
Hire purchase loans	4	9
Trust receipt	41	46
Bank and other borrowings	45	1
	<u>310</u>	<u>318</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12 INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) recognised in the consolidated statement of comprehensive income represents:

	2020 S\$'000	2019 S\$'000
Current income tax	273	(18)
Under/(over) provision in prior years	1	(72)
	<u>274</u>	<u>(90)</u>
Deferred income tax (Note 19)	106	(140)
Income tax expense/(credit)	<u>380</u>	<u>(230)</u>

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount as follows:

	2020 S\$'000	2019 S\$'000
Profit/(loss) before income tax	<u>1,117</u>	<u>(1,950)</u>
Tax calculated at Singapore corporate income tax rate of 17% (Note (i))	190	(332)
Tax effect of:		
— difference in overseas tax rates	4	—
— expenses not deductible for tax purposes	366	185
— statutory income exemption	(17)	—
— income not taxable for tax purposes	(88)	—
— concessionary tax rate	(64)	—
— tax benefit	(22)	—
— utilisation of previously unrecognised tax losses	(95)	—
— tax losses not recognised	105	26
— under/(over) provision of tax in prior years	1	(109)
Income tax expense/(credit)	<u>380</u>	<u>(230)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12 INCOME TAX EXPENSE/(CREDIT) (Continued)

(i) Singapore corporate income tax

Singapore corporate income tax has been provided at the rate of 17% for the year ended 31 December 2020 (2019: 17%) on the chargeable income arising in Singapore during the year after offsetting any tax losses brought forward.

(ii) Cayman Islands profits tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and is exempted from the Cayman Islands income tax.

(iii) British Virgin Islands profits tax

The Company's subsidiary in the British Virgin Islands ("BVI") is exempted from BVI income tax, as it is incorporated under the International Business Companies Act of the BVI.

The Group is subject to income tax on an entity basis on profit arising in or derived from jurisdiction in which members of the Groups are domiciled and operate.

(iv) Hong Kong profits tax

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (2019: Nil) for the year.

(v) PRC corporate income tax ("CIT")

One of the Group's PRC subsidiaries was approved as new and high technology enterprises pursuant to which the PRC subsidiary can enjoy a preferential CIT rate of 15% effective from 2020 to 2022. The income tax rate of the Group's remaining entities within the Group incorporated in the PRC is 25% (2019: Nil) for the year.

(vi) PRC withholding income tax

According to the CIT Law, a 10% withholding tax will be levied on the immediate holding companies established out of the PRC, in respect of earnings generated after 31 December 2007.

A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. During the year, no withholding tax has been provided as the directors have confirmed that the Group does not expect the PRC subsidiaries to distribute the retained earnings as at 31 December 2020 in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2020	2019
Profit/(loss) attributable to equity holders of the Company (S\$'000)	<u>784</u>	<u>(1,660)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>459,672</u>	<u>400,000</u>
Basic earnings/(loss) per share (S cents)	<u>0.17</u>	<u>(0.42)</u>

(b) Diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding, adjusted for contingently issuable shares of which all necessary conditions under 2020 Target Profit (Note 30(a)) are satisfied, during the year.

The calculation of diluted earnings per share for the year is based on the following:

	2020
Profit attributable to equity holders of the Company for calculation of basic earnings per share and diluted earnings per share (S\$'000)	<u>784</u>
Weighted average number of shares for calculation of basic earnings per share (thousands)	<u>459,672</u>
Effect of dilutive potential shares: Weighted average number of contingently issuable shares (thousand)	<u>19,891</u>
Weighted average number of shares for calculation of diluted earnings per share (thousand)	<u>479,563</u>
Diluted earnings per share (S cents)	<u>0.16</u>

No diluted loss per share was presented in 2019 as there was no dilutive potential share during the year ended 31 December 2019 and diluted loss per share was equal to the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 PROPERTY, PLANT AND EQUIPMENT

	Air conditioner S\$'000	Electrical installations S\$'000	Factory equipment, machinery and cleanroom facilities S\$'000	Office equipment, factory furniture, and fittings S\$'000	Renovations S\$'000	Motor vehicles S\$'000	Total S\$'000
At 1 January 2019							
Cost	406	206	14,133	1,171	2,056	678	18,650
Accumulated depreciation	(187)	(131)	(13,239)	(1,046)	(1,792)	(497)	(16,892)
Net book amount	<u>219</u>	<u>75</u>	<u>894</u>	<u>125</u>	<u>264</u>	<u>181</u>	<u>1,758</u>
Year ended 31 December 2019							
Opening net book amount	219	75	894	125	264	181	1,758
Adoption of IFRS 16	—	—	—	—	(160)	—	(160)
Restated opening net book amount	219	75	894	125	104	181	1,598
Additions	3	—	840	25	127	—	995
Disposals	—	—	—	—	—	(3)	(3)
Depreciation (Note 9)	(52)	(19)	(444)	(51)	(54)	(65)	(685)
Closing net book amount	<u>170</u>	<u>56</u>	<u>1,290</u>	<u>99</u>	<u>177</u>	<u>113</u>	<u>1,905</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Air conditioner S\$'000	Electrical installations S\$'000	Factory equipment, machinery and cleanroom facilities S\$'000	Office equipment, factory furniture, and fittings S\$'000	Renovations S\$'000	Motor vehicles S\$'000	Total S\$'000
At 1 January 2020							
Cost	389	206	14,548	1,166	756	671	17,736
Accumulated depreciation	(219)	(150)	(13,258)	(1,067)	(579)	(558)	(15,831)
Net book amount	<u>170</u>	<u>56</u>	<u>1,290</u>	<u>99</u>	<u>177</u>	<u>113</u>	<u>1,905</u>
Year ended 31 December 2020							
Opening net book amount	170	56	1,290	99	177	113	1,905
Acquisition of subsidiaries (Note 30)	—	—	11	—	—	4	15
Additions	—	14	158	35	36	—	243
Disposals	—	—	(1)	(1)	—	—	(2)
Depreciation (Note 9)	(50)	(21)	(308)	(40)	(59)	(57)	(535)
Net book amount	<u>120</u>	<u>49</u>	<u>1,150</u>	<u>93</u>	<u>154</u>	<u>60</u>	<u>1,626</u>
At 31 December 2020							
Cost	389	220	15,009	1,208	792	440	18,058
Accumulated depreciation	(269)	(171)	(13,859)	(1,115)	(638)	(380)	(16,432)
Net book amount	<u>120</u>	<u>49</u>	<u>1,150</u>	<u>93</u>	<u>154</u>	<u>60</u>	<u>1,626</u>

Depreciation expense of S\$456,000 (2019: S\$599,000) and S\$79,000 (2019: S\$86,000) have been charged to cost of sales and administrative expenses, respectively, for the year ended 31 December 2020.

As at 31 December 2020, amount of motor vehicle under hire purchase loans was S\$59,000 (2019: S\$114,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Amounts recognised in the consolidated statement of financial position

	2020 S\$'000	2019 S\$'000
Right-of-use assets		
Property	3,099	4,431
Office equipment	52	76
Motor vehicle	241	—
	<u>3,392</u>	<u>4,507</u>
Lease liabilities		
Current	1,641	1,514
Non-current	1,951	3,047
	<u>3,592</u>	<u>4,561</u>

Additions to the right-of-use assets during the 2020 financial year were S\$713,000, (2019: S\$1,146,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

	2020 S\$'000	2019 S\$'000
Depreciation charge of right-of-use assets		
Property	1,751	1,460
Office equipment	23	23
Motor vehicle	17	—
	<u>1,791</u>	<u>1,483</u>

The total cash outflow for leases in 2020 was S\$1,855,000 (2019: S\$1,533,000).

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

The Group leases various offices, factories, motor vehicle and copiers. Rental contracts are typically made for fixed periods of 3 year to 5 years.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

There are no variable lease payments in the rental contracts.

(v) Residual value guarantees

The Group do not provide residual value guarantees in relation to equipment leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16 GOODWILL AND INTANGIBLE ASSETS

	2020 S\$'000	2019 S\$'000
Goodwill	6,845	—
Intangible assets	<u>796</u>	<u>59</u>
	<u>7,641</u>	<u>59</u>

Goodwill relates to the acquisition of Savour Group during the year. The directors consider that the acquisition could enable the Group to be benefited from diversifying its revenue stream through acquisition of a complementary business, which will in turn broaden the Group's revenue base in the future and is expected to increase the shareholders' value.

Intangible assets represent trademark, patents and license rights for technical know-how relating to the manufacturing processes for microfluidic chips and systems and the customer relationships in relation to the development, manufacturing, sales and installation of amusement machines and equipment in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16 GOODWILL AND INTANGIBLE ASSETS (Continued)

	Goodwill S\$'000	Customer relationships S\$'000	Trademark, patents and licenses S\$'000	Total S\$'000
At 1 January 2019				
Cost	—	—	175	175
Acquisition of a subsidiary (Note 30)	11	—	—	11
Impairment (Note 9)	(11)	—	—	(11)
Accumulated amortisation	—	—	(105)	(105)
Net book amount	—	—	70	70
Year ended 31 December 2019				
Opening net book amount	—	—	70	70
Additions	—	—	3	3
Acquisition of subsidiaries (Note 30)	11	—	—	11
Amortisation (Note 9)	—	—	(14)	(14)
Impairment (Note 9)	(11)	—	—	(11)
Closing net book amount	—	—	59	59
At 31 December 2019				
Cost	—	—	178	178
Accumulated amortisation	—	—	(119)	(119)
Net book amount	—	—	59	59
Year ended 31 December 2020				
Opening net book amount	—	—	59	59
Additions	—	—	2	2
Acquisition of subsidiaries (Note 30)	6,845	794	—	7,639
Amortisation (Note 9)	—	(82)	(14)	(96)
Exchange realignment	—	37	—	37
Closing net book amount	6,845	749	47	7,641
At 31 December 2020				
Cost	6,845	830	180	7,855
Accumulated amortisation	—	(81)	(133)	(214)
Net book amount	6,845	749	47	7,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16 GOODWILL AND INTANGIBLE ASSETS (Continued)

(i) Impairment test for goodwill

Goodwill is monitored by management at the level of operating segment. The carrying amount of goodwill had been allocated to the CGU relating to the operations of Savour Group within the segment of amusement machines and equipment.

The recoverable amount of the CGU has been determined based on fair value less costs of disposal. In determining the fair value less costs of disposal of the CGU, management has adopted the market approach (level 3 fair value measurements), which has adopted earnings multiple in the valuation. Several companies with business scopes and operations similar to those of Savour Group were adopted as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- the comparable companies are listed in recognised stock exchanges for more than one year;
- the comparable companies have sufficient operating histories;
- the comparable companies have operation in the manufacturing and sales of amusement equipment; and
- the financial information of the comparable companies is available to the public.

Key assumptions used in the fair value less costs of disposal calculation of the CGU as at 31 December 2020 included earnings multiple of 18.66, marketability discount of 20.6% and control premium of 24.8%. The earnings multiple is calculated based on the median of comparable companies' indications, after adjustment for differences in the market capitalisation.

As a result of the impairment review, the recoverable amount of the CGU in which goodwill has been allocated is higher than its carrying amount as at 31 December 2020. As a result, no impairment loss was charged during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17 INVESTMENT IN A KEY MANAGEMENT INSURANCE CONTRACT

	2020 S\$'000	2019 S\$'000
Unlisted investment		
— Key management insurance contract	<u>953</u>	<u>898</u>

The key management insurance contract relates to an insurance policy insured on a key management of the Company. The insurance policy can be voluntarily terminated before the maturity in December 2040 or any of the insured event occurs. The key management insurance contract is denominated in S\$ and is secured for a loan facility granted by the insurance company to the Company (Note 26).

The change in carrying amount of such investment during the year is included in “Other gains/(losses) — net” in the consolidated statement of comprehensive income (Note 8).

As at 31 December 2019 and 2020, the carrying amount of the key management insurance contract were estimated by making reference to the cash surrender values set out in the insurance contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 S\$'000	2019 S\$'000
Financial assets per consolidated statement of financial position		
Financial assets measured at amortised cost		
— Trade and other receivables	9,417	5,293
— Cash and cash equivalents	4,377	3,458
Total	13,794	8,751
Financial liabilities per consolidated statement of financial position		
Financial liabilities measured at amortised cost		
— Trade and other payables	3,213	2,863
— Borrowings	1,521	904
— Lease liabilities	3,592	4,561
Total	8,326	8,328

19 DEFERRED INCOME TAX LIABILITIES

The analysis of deferred income tax liabilities is as follows:

	2020 S\$'000	2019 S\$'000
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled after more than 12 months	131	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19 DEFERRED INCOME TAX LIABILITIES (Continued)

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

	2020 S\$'000	2019 S\$'000
At beginning of the year	7	147
Acquisition of subsidiaries (Note 30)	18	—
Charged/(credited) to consolidated statement of comprehensive income (Note 12)	106	(140)
At end of the year	131	7

Deferred income tax assets arise from tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. In assessing recoverability of deferred income tax assets, the Group takes into account scheduled reversal of deferred income tax liabilities, projected future taxable profit and tax planning. No deferred tax has been recognised in respect of the estimated unused tax losses due to unpredictability of future profit streams.

As at 31 December 2020, the Group has unrecognised tax losses of approximately S\$105,000 (2019: S\$670,000) to carry forward for offsetting against future taxable income and such tax losses will be carried forward for 5 years (2019: have no expiry dates).

20 TRADE AND OTHER RECEIVABLES

	2020 S\$'000	2019 S\$'000
Current		
Trade receivables	6,609	4,713
Less: provision for impairment of trade receivables	—	—
	6,609	4,713
Goods and services tax receivables	—	40
Prepayments	232	80
Deposits	2,589	550
Others	219	30
	9,649	5,413

The carrying amounts of trade receivables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20 TRADE AND OTHER RECEIVABLES (Continued)

The Group normally grants 30 to 90 days (2019: 30 to 60 days) credit terms to its customers. As at 31 December 2019 and 2020, the ageing analysis of trade receivables based on invoice date is as follows:

	2020 S\$'000	2019 S\$'000
1 to 30 days	3,641	1,953
31 to 60 days	1,730	1,561
61 to 90 days	913	980
Over 90 days	325	219
	<u>6,609</u>	<u>4,713</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of the previous 24 months from each report date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Note 3.1(b) provides details about the rationale and calculation of the allowance.

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

	2020 S\$'000	2019 S\$'000
S\$	4,926	4,244
RMB	1,327	—
USD	356	469
	<u>6,609</u>	<u>4,713</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

21 INVENTORIES

	2020 S\$'000	2019 S\$'000
Goods on hand		
Raw materials	1,991	525
Work-in-progress	1,027	50
Finished goods	1,046	338
	<u>4,064</u>	<u>913</u>

22 CASH AND CASH EQUIVALENTS

	2020 S\$'000	2019 S\$'000
Cash and bank balances	<u>4,377</u>	<u>3,458</u>

The Group's cash and cash equivalents are denominated in the following currencies:

	2020 S\$'000	2019 S\$'000
S\$	4,149	3,108
USD	24	269
Hong Kong dollar ("HK\$")	178	57
RMB	22	16
Indonesia Rupiah ("IDR")	2	6
Japanese Yen	2	2
	<u>4,377</u>	<u>3,458</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23 SHARE CAPITAL AND SHARE PREMIUM

	2020 S\$'000	2019 S\$'000
Share capital	793	689
Share premium	15,127	8,885
	<u>15,920</u>	<u>9,574</u>

The movements of share capital and share premium of the Company are as follows:

	No. of ordinary shares	Share capital S\$'000	Share premium S\$'000
Authorised:			
At 1 January 2019/2020 and 31 December 2019/2020	<u>10,000,000,000</u>	<u>17,296</u>	<u>—</u>
Issued and fully paid:			
At 1 January 2019, at 31 December 2019 and at 1 January 2020	400,000,000	689	8,885
Issue of ordinary shares as consideration for a business combination (Note (a))	<u>60,000,000</u>	<u>104</u>	<u>6,242</u>
At 31 December 2020	<u>460,000,000</u>	<u>793</u>	<u>15,127</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23 SHARE CAPITAL AND SHARE PREMIUM (Continued)

- (a) The consideration for the acquisition of Savour Group was HK\$16.0 million, which was satisfied by the allotment and issuance of 26,666,667 consideration shares at the issue price of HK\$0.60 per share ("**Consideration**") by the Company to the vendors. The Company also agrees to pay the vendors performance bonuses if the net profit after tax of 中山市星藝動漫科技有限公司 ("**Xingyi**") for the years ended 31 December 2019 and 2020 exceeded HK\$3.0 million and HK\$4.0 million respectively. Any payment of performance bonuses shall be satisfied by the Company by way of the allotment and issuance of such number of new shares at the issue price of HK\$0.60 per share if the relevant performance targets are met. The aggregate sum of the Consideration and performance bonuses shall not be more than HK\$48.0 million (i.e. allotment and issuance of maximum 60,000,000 shares in total).

The Company has on 20 April 2020 issued additional 33,333,333 new shares as the net profit after tax for the year ended 31 December 2019 of Xingyi exceeded additional HK\$3.0 million.

- (b) Share capital

All issued ordinary shares are fully paid.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

24 RESERVES

Capital reserve of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the reorganisation completed on 19 December 2017 over nominal value of the share capital of the Company issued in exchange thereof and the contributions from the controlling shareholders by way of capitalisation of the shareholder's loan.

Other reserve of the Group represented the contingent consideration pursuant to the business combination in relation to acquisition of Savour Group occurred during the year ended 31 December 2020 as detailed in Note 30. The contingent consideration was expected to be settled by issuance of a fixed number of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25 TRADE AND OTHER PAYABLES

	2020 S\$'000	2019 S\$'000
Trade payables (Note a) — Third parties	2,045	1,817
Other payables and accruals — Accrued expenses — Others	1,061 1,168	813 233
	<u>4,274</u>	<u>2,863</u>

(a) Trade payables

As at 31 December 2019 and 2020, the ageing analysis of the trade payables by invoice date is as follows:

	2020 S\$'000	2019 S\$'000
1 to 30 days	891	429
31 to 60 days	718	718
61 to 90 days	250	650
More than 90 days	186	20
	<u>2,045</u>	<u>1,817</u>

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

	2020 S\$'000	2019 S\$'000
S\$	997	1,010
USD	588	665
RMB	306	—
Euro	107	119
IDR	26	23
HK\$	11	—
GBP	10	—
	<u>2,045</u>	<u>1,817</u>

The carrying amounts of trade payables approximate their fair values, due to their short-term nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26 BORROWINGS

	2020 S\$'000	2019 S\$'000
Non-current		
Bank and other borrowings	830	—
Hire purchase loans	49	72
	<u>879</u>	<u>72</u>
Current		
Bank and other borrowings	—	291
Trust receipts	619	518
Hire purchase loans	23	23
	<u>642</u>	<u>832</u>
Total borrowings	<u>1,521</u>	<u>904</u>

As at 31 December 2019 and 2020, the Group's borrowings were repayable as follows:

	2020 S\$'000	2019 S\$'000
Within 1 year	642	832
Between 1 and 2 years	877	47
Between 2 and 5 years	2	25
	<u>1,521</u>	<u>904</u>

The average effective interest rates per annum at end of each year were set out as follows:

	2020	2019
Bank and other borrowings	4.45%–4.60%	4.5%
Trust receipts	4.25%–6.25%	6.3%
Hire purchase loans	<u>4.83%</u>	<u>4.83%</u>

The carrying amounts of borrowings of the Group approximate their fair values as at 31 December 2019 and 2020 and are denominated in S\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26 BORROWINGS (Continued)

As at 31 December 2020, bank and other borrowings of S\$223,000 (2019: Nil) was secured by a property owned by a shareholder of Xingyi and his spouse and their personal guarantees to the extent of S\$223,000, and the remaining amount of S\$607,000 was secured by their personal guarantees to the extent of S\$607,000.

As at 31 December 2019, bank and other borrowings of S\$291,000 were secured by a key management insurance contract undertaken by the Group.

As at 31 December 2020, trust receipts of S\$619,000 (2019: S\$518,000) were secured by a corporate guarantee from the Company and a deposit placed by a shareholder.

As at 31 December 2020, hire purchase loans of S\$72,000 (2019: S\$95,000) were secured by the lender's charge over the underlying assets.

27 PROVISION

	2020 S\$'000	2019 S\$'000
Non-current Provision for reinstatement costs	<u>1,427</u>	<u>1,427</u>

Provision for reinstatement costs were recognised for the expected costs associated with restoring the leased office and factory space by the Group upon expiry of leases from landlords to its original condition based on the requirements of the lease contract. Provision for reinstatement costs is the present value of the estimated costs of dismantlement, removal and restoration to be incurred for the leased office and factory space. The provision is based on estimates made from historical data associated with reinstatement works on contracts of similar nature using technology and materials that are currently available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28 COMMITMENTS

The Group has no material commitments as at 31 December 2019 and 2020.

29 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2020. No dividend has been paid or declared by the Company since its incorporation.

30 BUSINESS COMBINATION

(a) Summary of acquisition

For the year ended 31 December 2020 — Development, manufacturing, sales and installation of amusement machines and equipment business

On 3 January 2020, the Group acquired 100% of the issued share capital of Savour. Savour holds 100% equity interest of Jingchen International Co., Limited ("**Jingchen**"), which in turn holds 80% of Xingyi ("**Acquisition**"). Details of this acquisition were disclosed in the Company's announcements dated 6 December 2019, 3 January 2020 and 14 April 2020.

Consideration Shares

The consideration for the acquisition for Savour Group was HK\$16.0 million, which was satisfied by the allotment and issuance of 26,666,667 consideration shares at the issue price of HK\$0.60 per share by ("**Consideration**") the Company to the vendors. The Company also agreed to pay the vendors performance bonuses if the net profit after tax of Xingyi for the years ended 31 December 2019 and 2020 exceeds HK\$3.0 million and HK\$4.0 million respectively. Any payment of performance bonuses shall be satisfied by the Company by way of the allotment and issuance of such number of new shares at the issue price of HK\$0.60 per share if the relevant performance targets were met. The aggregate sum of the Consideration and performance bonuses payable shall not be more than HK\$48.0 million by way of allotment and issuance of no more than 80,000,000 shares.

Performance Bonus

The Company has on 20 April 2020 issued 33,333,333 new shares at the issue price of HK\$0.60 per share as the net profit after tax for the year ended 31 December 2019 of Xingyi exceeded HK\$3.0 million ("**2019 Performance Bonus**").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30 BUSINESS COMBINATION (Continued)

(a) Summary of acquisition (Continued)

For the year ended 31 December 2020 — Development, manufacturing, sales and installation of amusement machines and equipment business (Continued)

Performance Bonus (Continued)

A performance bonus ("**2020 Performance Bonus**") for a sum equivalent to 80% of price to earnings ratio at 15 times of net profit after tax of Xingyi for the year ended 31 December 2020 shall be paid to the vendors if the net profit after tax for the year ended 31 December 2020 exceeded HK\$4.0 million ("**2020 Target Profit**") net of the Consideration and 2019 Performance Bonus already paid. The maximum of the 2020 Performance Bonus payable shall not be more than HK\$12.0 million by way of allotment and issuance of no more than 20,000,000 shares.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	S\$'000
Purchase consideration (refer to (b) below):	
Ordinary shares issued	2,820
Contingent consideration	<u>5,430</u>
Total purchase consideration	<u><u>8,250</u></u>

The fair value of the 26,666,667 shares issued and the contingent consideration as part of the purchase consideration for Savour Group (S\$8,250,000) was based on the closing price of the Company's shares on 3 January 2020 of HK\$0.61 per share.

No cash was paid for the Acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30 BUSINESS COMBINATION (Continued)

(a) Summary of acquisition (Continued)

For the year ended 31 December 2020 — Development, manufacturing, sales and installation of amusement machines and equipment business
(Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value S\$'000
Property, plant and equipment	15
Right-of-use assets	126
Intangible assets	794
Inventories	2,784
Trade receivables	1,216
Other receivables and prepayments	704
Cash and bank balances	99
Trade payables	(1,071)
Other payables	(851)
Bank borrowings	(794)
Contract liabilities	(836)
Lease liabilities	(132)
Current income tax liabilities	(98)
Deferred income tax liabilities	(18)
Net identifiable assets acquired	1,938
Less: non-controlling interests	(533)
Add: goodwill	6,845
Net assets acquired	8,250

Revenue and profit contribution

The acquired business contributed revenue of S\$4,118,000 and net profit of S\$743,000 to the Group for the period from 3 January 2020 to 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30 BUSINESS COMBINATION (Continued)

(a) Summary of acquisition (Continued)

For the year ended 31 December 2019

Trading of Chinese liquor business

On 24 October 2019, the Company acquired 100% of the issued share capital of Honour Goal International Limited ("**Honour Goal**"). Honour Goal has a wholly owned subsidiary, 深圳酷貴酒業有限公司 which in turns hold 51% equity interest in 深圳御鑒酒業有限公司("御鑒酒業"). The principal activity of Honour Goal and its subsidiaries are that of trading of Chinese liquor in China.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	S\$'000
Purchase consideration (refer to (b) below):	
Cash paid	<u>4</u>
Total purchase consideration	<u><u>4</u></u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value S\$'000
Other payables	<u>(14)</u>
Net identifiable liabilities acquired	(14)
Less: non-controlling interests	7
Add: goodwill	<u>11</u>
Net assets acquired	<u><u>4</u></u>

The goodwill is attributable to the expenses incurred of the acquired business. The Group has impaired the goodwill of S\$11,000 arising from the acquisition of the above subsidiary during the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30 BUSINESS COMBINATION (Continued)

(a) Summary of acquisition (Continued)

For the year ended 31 December 2019 (Continued)

Trading of Chinese liquor business (Continued)

In November 2019, the minority shareholder of 御鑒酒業 has contributed RMB490,000 (approximately S\$96,000) which is 49% of the registered share capital of 御鑒酒業.

Revenue and profit contribution

The acquired business has not commenced its business activity in the year ended 31 December 2019. It contributed a net loss of S\$143,000 to the Group for the period from 24 October to 31 December 2019.

(b) Purchase consideration — cash inflow/(outflow)

	2020 S\$'000	2019 S\$'000
Outflow of cash to acquire subsidiaries, net of cash acquired		
Cash consideration	—	4
Less: Cash acquired		
Cash	99	—
Net inflow/(outflow) of cash — investing activities	99	(4)

31 RELATED PARTY TRANSACTIONS

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year.

(a) Key management compensation

Key management includes executive directors of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 10(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32 PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries at 31 December 2020:

Company name	Place of incorporation/ establishment and kind of legal entity	Registered/issued and paid-up capital	Principal activities/place of operation	Proportion of ordinary shares directly held by parent	Proportion of ordinary shares held by the Group
Directly held by the Company					
Eastlyn Global Limited	BVI, limited liability company	USD2,000	Investment holding/ Singapore	100%	100%
Honour Goal	Hong Kong, limited liability company	HK\$1	Investment holding/ Hong Kong	100%	100%
Savour	BVI, limited liability company	USD50,000	Investment holding/ Hong Kong	100%	100%
Indirectly held by the Company					
Inzign Pte Ltd	Singapore, limited liability company	S\$1,118,000	Manufacturing of plastics articles and products/ Singapore	—	100%
P.T. Inzign	Indonesia, limited liability company	IDR2,662,500,000	Manufacturing of plastics articles and products/ Indonesia	—	99%
Medizign Pte Ltd	Singapore, limited liability company	S\$1,000	Dormant/Singapore	—	100%
深圳酷貴酒業有限公司	PRC, limited liability company*	Registered capital: RMB5,000,000	Investment holding/China	—	100%
深圳御鑒酒業有限公司	PRC, limited liability company	Registered capital: RMB1,000,000	Chinese liquor trading/China	—	51%
Jingchen	Hong Kong, limited liability company	HK\$10,000	Investment holdings/ Hong Kong	—	100%
Xingyi	PRC, limited liability company [#]	Registered capital: RMB5,000,000	Development, manufacturing, sales and installation of amusement machines and equipment/China	—	80%

* 深圳酷貴酒業有限公司 is registered as a limited liability company (solely invested by corporation in Taiwan, Hong Kong or Macau) under PRC law.

[#] Xingyi is registered as a limited liability company (joint ventures established by investors from Taiwan, Hong Kong and Macau and domestic companies) under PRC law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2020 S\$'000	2019 S\$'000
Net book amount	2	3
Purchase through trade-in	(87)	—
Gain/(loss) on disposal of property, plant and equipment (Note 8)	85	(3)
Proceeds from disposal of property, plant and equipment	—	—

This section sets out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2019 and 2020:

	1 January 2020 S\$'000	Proceeds from borrowings S\$'000	Principal and interest payments S\$'000	Exchange realignment S\$'000	Interest expense S\$'000	Non-cash changes Acquisition of subsidiaries S\$'000	Addition/ modification S\$'000	31 December 2020 S\$'000
Borrowings	904	4,555	(4,858)	36	90	794	—	1,521
Lease liabilities	4,561	—	(1,855)	11	220	132	523	3,592
	5,465	4,555	(6,713)	47	310	926	523	5,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	1 January 2019 S\$'000	Proceeds from borrowings S\$'000	Principal and interest payments S\$'000	Non-cash changes Interest expense S\$'000	Addition S\$'000	31 December 2019 S\$'000
Borrowings	2,143	2,467	(3,762)	56	—	904
Lease liabilities	4,686	—	(1,533)	262	1,146	4,561
	<u>6,829</u>	<u>2,467</u>	<u>(5,295)</u>	<u>318</u>	<u>1,146</u>	<u>5,465</u>

34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

After the outbreak of COVID-19 pandemic since early 2020, a series of precautionary and control measures have been and continued to be implemented globally. The Group will pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 pandemic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Notes	2020 S\$'000	2019 S\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		13,475	5,225
Current assets			
Amounts due from subsidiaries		3,573	4,612
Other receivables		33	28
Cash and cash equivalents		51	54
		3,657	4,694
Total assets		17,132	9,919
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	23	793	689
Share premium	23	15,127	8,885
Capital reserve	(a)	5,221	5,221
Other reserve	(a)	1,904	–
Accumulated losses	(a)	(6,349)	(5,163)
Total equity		16,696	9,632
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		32	32
Other payables		404	255
		436	287
Total liabilities		436	287
Total equity and liabilities		17,132	9,919

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2021 and was signed on its behalf.

Mr. Phua Swee Hoe
Director

Ms. Ng Hong Kiew
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share Premium S\$'000	Capital reserve S\$'000	Other reserve S\$'000	Accumulated losses S\$'000
At 1 January 2019	8,885	5,221	—	(4,388)
Loss for the year	—	—	—	(775)
At 31 December 2019	<u>8,885</u>	<u>5,221</u>	<u>—</u>	<u>(5,163)</u>
At 1 January 2020	8,885	5,221	—	(5,163)
Issue of ordinary shares as consideration for a business combination (Note 23(a))	6,242	—	1,904	—
Loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,186)</u>
At 31 December 2020	<u>15,127</u>	<u>5,221</u>	<u>1,904</u>	<u>(6,349)</u>

FINANCIAL SUMMARY

For the year ended 31 December 2020

A summary of the results and of the assets and liabilities of the Group for the last five years is as follow:

	2020 S\$'000	2019 S\$'000	2018 S\$'000	2017 S\$'000	2016 S\$'000
Revenue	23,782	15,212	16,500	20,744	19,016
Cost of sales	(18,551)	(13,691)	(14,587)	(16,318)	(14,450)
Gross profit	5,231	1,521	1,913	4,426	4,566
Other income	1,122	214	161	332	254
Other gains/(losses) — net	50	(7)	(155)	90	(65)
Selling and distribution expenses	(413)	(359)	(286)	(212)	(203)
Administrative expenses	(4,563)	(3,001)	(4,533)	(4,975)	(2,329)
Operating profit/(loss)	1,427	(1,632)	(2,900)	(339)	2,223
Finance costs	(310)	(318)	(148)	(199)	(228)
Finance income	—	—	34	12	24
Finance costs — net	(310)	(318)	(114)	(187)	(204)
Profit/(loss) before income tax	1,117	(1,950)	(3,014)	(526)	2,019
Income tax (expense)/credit	(380)	230	(87)	(296)	(341)
Profit/(loss) for the year	737	(1,720)	(3,101)	(822)	1,678
Other comprehensive income	143	1	—	—	—
Total comprehensive income for the year	880	(1,719)	(3,101)	(822)	1,678

FINANCIAL SUMMARY

For the year ended 31 December 2020

A summary of the results and of the assets and liabilities of the Group for the last five years is as follow: (Continued)

	2020 S\$'000	2019 S\$'000	2018 S\$'000	2017 S\$'000	2016 S\$'000
Asset and liabilities					
Total assets	32,159	17,792	15,222	12,245	10,572
Total liabilities	14,479	<u>9,775</u>	<u>5,575</u>	<u>9,425</u>	<u>7,580</u>
Net assets	17,680	8,017	9,647	2,820	2,992
Equity					
Capital and reserve attributable to equity holders of the Company	17,173	7,996	9,655	2,829	3,001
Non-controlling interests	507	<u>21</u>	<u>(8)</u>	<u>(9)</u>	<u>(9)</u>
Total equity	17,680	<u>8,017</u>	<u>9,647</u>	<u>2,820</u>	<u>2,992</u>