FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1721

ANNUAL REPORT

2020

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Thet *(Chairman) (appointed on 8 April 2020)*
Mr. Toe Tiong Hock *(Chief Executive Officer)*
(resigned as Chairman on 8 April 2020)
Ms. Wong Yet Lian *(resigned on 8 April 2020)*
Ms. Lim Siew Choo *(resigned on 8 April 2020)*

Independent Non-Executive Directors

Mr. Bau Siu Fung
Mr. Wong Po Keung *(appointed on 8 April 2020)*
Mr. Lau Chun Ho Edward *(appointed on 8 April 2020)*
Prof. Pong Kam Keung *(resigned on 8 April 2020)*
Mr. Ng Hung Fai Myron *(resigned on 8 April 2020)*

AUDIT COMMITTEE

Mr. Bau Siu Fung *(Chairman)*
Mr. Wong Po Keung *(appointed on 8 April 2020)*
Mr. Lau Chun Ho Edward *(appointed on 8 April 2020)*
Prof. Pong Kam Keung *(resigned on 8 April 2020)*
Mr. Ng Hung Fai Myron *(resigned on 8 April 2020)*

REMUNERATION COMMITTEE

Mr. Wong Po Keung *(Chairman)*
(appointed on 8 April 2020)
Mr. Li Thet *(appointed on 8 April 2020)*
Mr. Bau Siu Fung
Mr. Lau Chun Ho Edward *(appointed on 8 April 2020)*
Prof. Pong Kam Keung *(resigned on 8 April 2020)*
Ms. Wong Yet Lian *(resigned on 8 April 2020)*

NOMINATION COMMITTEE

Mr. Li Thet *(Chairman) (appointed on 8 April 2020)*
Mr. Wong Po Keung *(appointed on 8 April 2020)*
Mr. Lau Chun Ho Edward *(appointed on 8 April 2020)*
Mr. Toe Tiong Hock *(resigned on 8 April 2020)*
Mr. Ng Hung Fai Myron *(resigned on 8 April 2020)*
Prof. Pong Kam Keung *(resigned on 8 April 2020)*

COMPANY SECRETARY

Mr. Zhu Ben Yu *(appointed on 8 April 2020)*
Ms. Leung Hoi Yan *(resigned on 8 April 2020)*

AUTHORISED REPRESENTATIVES

Mr. Li Thet *(appointed on 8 April 2020)*
Mr. Zhu Ben Yu *(appointed on 8 April 2020)*
Ms. Leung Hoi Yan *(resigned on 8 April 2020)*
Mr. Toe Tiong Hock *(resigned on 8 April 2020)*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F., Harbour Commercial Building
122-124 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

LEGAL ADVISER

As to Hong Kong law
Michael Li & Co.
Room 901 and 19/F., Prosperity Tower
No. 39 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

COMPANY'S WEBSITE

www.fsmtech.com
(Note: information contained in this website does not form part of this annual report)

STOCK CODE

1721

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of FSM Holdings Limited (the "Company", together with its subsidiaries, the "Group"), it is my pleasure to present the annual report of the Group for the financial year ended 31 December 2020 ("FY2020").

PERFORMANCE REVIEW

In FY2020, the Group recorded total revenue of approximately S$10.3 million, representing an increase of approximately S$0.7 million from approximately S$9.6 million for the year ended 31 December 2019 ("FY2019"). The increase in revenue was mainly due to resumption of growth in the manufacturing sector of Singapore in FY2020. However, the overall gross profit decreased by approximately S$0.7 million from approximately S$2.1 million (restated) for FY2019 to approximately S$1.4 million for FY2020. Such decrease was mainly due to provision for inventory and downward pressure on the gross profit margin of our manufacturing business segment as a result of the adverse impact of the COVID-19 pandemic in FY2020.

The Group recorded loss for the year attributable to owners of the Company ("Net Loss") of approximately S$2.6 million for FY2020 (FY2019: approximately S$0.4 million (restated)). Such loss was mainly due to the decrease in gross profit of our manufacturing business and new staff costs, research and development expenses, operating lease expense for office premises and other costs incurred in developing and operating the new mobile game of our new online business.

Affected by the COVID-19 pandemic in Malaysia, our manufacturing plant in Malaysia was temporarily closed from 18 March to 19 April 2020, resumed production operation at level up to 50% of total labor force from 20 April to 28 April 2020 and returned to full production work force restoring to normal levels of operation after 28 April 2020. Meanwhile, our Singapore manufacturing operations was classified as an essential service and remained in operation during circuit breaker enforced by the Singapore Government from 7 April to 1 June 2020.

During FY2020 when safe distancing measures and movement control orders were enforced in Singapore and Malaysia, the Group made appropriate adjustments to fully utilize production capacities available at the Group's Singapore and Malaysia manufacturing plants in order to keep the disruption to the minimum.

OUTLOOK

The International Monetary Fund ("IMF") had projected the global economy to grow at 5.9% in 2021 and 4.9% in 2022 during their October 2021 review.[1] In the second half of 2021, there are still many uncertainties affecting the global economy, including the pace of the COVID-19 vaccination around the world, control over another wave of infection of the COVID-19 variant in different countries, and the timetable for removing domestic social distancing restrictions and cross border controls for traveling.

Under such a challenging environment in our manufacturing business, the Group will continuously deploy outreach strategies in maintaining relationships with existing and potential customers and enhancing production competency and efficiency through the upgrading of machines and usage of robotics to reduce production cost. Benefiting from economic recoveries in Singapore and other major countries in the first half of 2021, our manufacturing business has recorded significant growth in revenue as compared with same period last year. However, under ongoing uncertainties, we are cautiously optimistic about performance of our manufacturing business in the second half of 2021.

1 https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021

Chairman's Statement

Amid the outbreak of the COVID-19 pandemic, people spent more time at home and on mobile activities in 2020. Mobile games served as an important channel in keeping players entertained and connected with each other. This emerging trends during the pandemic clearly indicates that there are tremendous opportunities in the game industry with the fast growing smartphone penetration rate and the launch of 5G network. In order to capture opportunities in such market and diversify revenue streams under the current challenging environment in the manufacturing business segment, the Group has started our mobile game business in the second half of 2020 and developed our first mobile game which was launched in the United Kingdom and Canada in December 2020. In the first half of 2021 the Group has launched our mobile game in the United States and added new features and gameplay rules to our mobile game to enhance players' experiences. In second half of 2021, the Group will continue to optimize our mobile game by adding more new features and gameplay rules to further enhance players' experiences before promoting our game in a larger scale to other major gaming markets.

The Board will continue to focus on our manufacturing business which is our core business by enhancing its production competency and efficiency. In order to diversify revenue streams and strengthen the Group's performance under the current challenging environment of our manufacturing business, the Board will continue to explore other business opportunities. The Board believes that a more diversified revenue streams is expected to deliver long term sustainable value to our shareholders.

APPRECIATION

We would like to thank our committed staff for their contributions and our customers, business partners and shareholders for their continued support for the Group.

On behalf of the Board

Li Thet
Chairman
Hong Kong, 8 December 2021

Management Discussion and Analysis

FINANCIAL REVIEW

During FY2020, the revenue of the Group increased by approximately 7.6% to approximately S$10.3 million. The increase was mainly due to resumption of growth in the manufacturing sector of Singapore in FY2020. However, the gross profit of the Group decreased by approximately 31.2% to S$1.4 million for FY2020 mainly due to provision for inventory and downward pressure on the gross profit margin of our manufacturing segment as a result of the adverse impact of the COVID-19 pandemic in FY2020. The Group recorded Net Loss of approximately S$2.6 million for FY2020 as compared to Net Loss of approximately S$0.4 million (restated) for FY2019 mainly due to the decrease in gross profit of our manufacturing business and new staff costs, research and development expenses, operating lease expense for office premises and other costs incurred in developing and operating the new mobile game of our new online business.

BUSINESS REVIEW

The Group has two major business segments, namely manufacturing business and online business.

Affected by the COVID-19 pandemic in Malaysia, our manufacturing plant in Malaysia was temporarily closed from 18 March to 19 April 2020, resumed production operation at level up to 50% of total labour force from 20 April to 28 April 2020 and returned to full production work force restoring to normal levels of operation after 28 April 2020. Meanwhile, our Singapore manufacturing operations was classified as an essential service and remained in operation during circuit breaker (the "Circuit Breaker") enforced by the Singapore Government from 7 April to 1 June 2020.

The Singapore economy was adversely affected by the COVID-19 pandemic throughout 2020 as did all other major economies in the world. Towards the end of the third quarter in 2020, the Singapore economy started to improve progressively with the phased resumption of activities after emerging from the mandatory lockdown following the Circuit Breaker. Even with this resumption of economic activities, on a year-to-year basis, the Singapore economy was still contracted by approximately 5.4%. However, the manufacturing sector of the Singapore economy has out-performed and resumed the growth since the third quarter of 2020 because the resumption of manufacturing activities following the Circuit Breaker as well as rebound in activities in major economies since the third quarter of 2020. For the full year of 2020, the manufacturing sector grew by 7.3%. As a critical enabler for Singapore's manufacturing sector supporting the production of various complex components needed in various industries, our manufacturing business experienced a gradual recovery towards the second half of FY2020.

With the outbreak of the COVID-19 pandemic in 2020, people spent more time at home and on mobile activities. Mobile games served as an important channel in keeping players entertained and connected with each other. This emerging trend during the pandemic clearly indicates that there are tremendous opportunities in the mobile games industry with the fast-growing smartphone penetration rate and the launch of 5G network. In order to capture opportunities in such market, the Group has started our new online business in the second half of 2020 and successfully developed and launched our first mobile game in the United Kingdom and Canada in December 2020.

Management Discussion and Analysis

REVENUE

During FY2020, the total revenue of the Group was increased by approximately 7.6% to approximately S$10.3 million (FY2019: approximately S$9.6 million).

	Year ended 31 December 2020		Year ended 31 December 2019	
	S$'000	**%**	S$'000	%
Manufacturing business	**10,341**	**99.99**	9,609	100.00
Online business	**1**	**0.01**	–	–
Total	**10,342**	**100.00**	9,609	100.00

MANUFACTURING BUSINESS

Sheet metal fabrication business

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

During FY2020, the revenue of the Group's manufacturing business increased by approximately 7.6% to approximately S$10.3 million as compared to approximately S$9.6 million for FY2019. The increase in revenue of manufacturing business was mainly due to resumption of growth in the manufacturing sector of Singapore in FY2020.

ONLINE BUSINESS

Mobile game business

During FY2020, revenue from mobile game business under the online business segment was approximately S$1,000 in its first year of operation (FY2019: nil).

Taking advantage of the experiences from our management in the market and as part of the Group's strategy for expansion into the mobile games business, a wholly owned subsidiary of the Company was incorporated in June 2020. The operation of our new mobile game business was financed by internally generated funds of the Group. Focusing on the development of our first mobile game in the second half of FY2020, the Group has developed and launched our first mobile game in the United Kingdom and Canada in December 2020.

Management Discussion and Analysis

In the first half of 2021, the Group has launched our mobile game to the United States market and added new features and gameplay rules to our mobile game to enhance players' experiences. In the second half of 2021, the Group will continue to optimize our mobile game by adding more new features and gameplay rules to further enhance players' experiences before promoting our game in a larger scale to other major gaming markets.

Going forward, the Group will keep reviewing our development strategy and operation of the mobile game business with a view to adapt to market changes.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group for FY2020 amounted to approximately S$1.4 million, representing a decrease of approximately S$0.7 million or 31.2% as compared with the gross profit of approximately S$2.1 million (restated) for FY2019. The Group's gross profit margin for FY2020 was approximately 13.9%, as compared with approximately 21.8% (restated) for FY2019. This was mainly due to provision for inventory and downward pressure on the gross profit margin of our manufacturing business segment as a result of the adverse impact of the COVID-19 pandemic in FY2020.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by approximately S$1.3 million or 59.0% from approximately S$2.2 million (restated) for FY2019 to approximately S$3.5 million for FY2020. The increase was mainly due to new staff costs, operating lease expense for office premises and other costs incurred in operating the Group's new online business.

RESEARCH AND DEVELOPMENT EXPENSES FOR A MOBILE GAME

For FY2020, research and development expenses for our new mobile game amounted to approximately S$0.6 million (2019: Nil). The research and development expenses mainly represented new staff costs and outsourcing expenses incurred in developing our first mobile game in the first year of operation of our online business.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above factors, the Group recorded Net Loss of approximately S$2.6 million for FY2020 (FY2019: approximately S$0.4 million (restated)).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for FY2020 (FY2019: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

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

Management Discussion and Analysis

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

As at 31 December 2020, the Group's total equity attributable to owners of the Company amounted to approximately S$35.7 million (2019: approximately S$38.4 million (restated)).

As at 31 December 2020, the Group's net current assets was approximately S$23.1 million (2019: approximately S$25.0 million (restated)) and the Group had cash and cash equivalents, short-term and pledged bank deposits of approximately S$23.5 million (2019: approximately S$24.1 million). The Group had borrowings and lease liabilities of approximately S$0.9 million (2019: approximately S$1.7 million) and S$1.0 million (2019: approximately S$0.8 million), respectively.

For FY2020, the average effective interest rates of the Group's bank loans was 4.02% per annum (FY2019: 4.71% per annum).

As at 31 December 2020, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 7.3 times (2019: approximately 8.9 times (restated)). The Group's gearing ratio (calculated by dividing total borrowings and lease liabilities by total equity as at the end of the year) was approximately 5.4% (2019: approximately 6.4% (restated)).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the listing of the Company's shares on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2018 (the "Listing"). The share capital of the Company only comprises ordinary shares.

PLEDGE OF ASSETS

As at 31 December 2020, the Group's bank loan were secured by pledged bank deposits of approximately S$0.7 million (2019: approximately S$0.7 million), legal charges of two properties of the Group with carrying amount of approximately S$6.7 million (2019: approximately S$6.9 million) and corporate guarantee provided by the Company.

As at 31 December 2020, the Group recorded approximately S$0.8 million (2019: approximately S$1.5 million) of other banking facilities, which is secured by the Group's machineries.

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2020, there was no significant investment held by the Group (2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 29 June 2018 (the "Prospectus"), the Group did not have other future plans for material investments or capital assets as at 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (2019: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed 165 full-time employees (FY2019: 147 employees).

Total staff costs including Directors' emoluments which was amounted to approximately S$3.9 million in FY2020 (FY2019: approximately S$2.9 million), comprised salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain valuable employees, the performance of the Group's employees are being reviewed annually.

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

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

FOREIGN EXCHANGE RISK

The Group's business operations were conducted in Singapore, Malaysia, Hong Kong and China. The sales of the Group are denominated in USD, SGD and HKD. Majority of the purchases and other costs of the Group are denominated in SGD, USD, MYR, HKD and RMB. The functional currency of the Group is SGD. The Group is exposed to foreign exchange risk, primarily USD, RMB and HKD. As at 31 December 2020, the Group retains part of the proceeds from Listing in HKD and USD that are exposed to foreign exchange risk. During the year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies by the Group during FY2020. There was no plan for material investments or capital assets as at 31 December 2020.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of environmental policies, performance and compliance with laws and regulations are set out in the "Environmental, Social and Governance Report" in this annual report.

USE OF NET PROCEEDS FROM THE LISTING

The Group completed its Listing and received net proceeds of approximately HK$95.2 million ("Net Proceeds"). The Net Proceeds has been and will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus and the announcement of the Company dated 29 September 2020. On 29 September 2020, the Board, having considered the recent business environment and development of the Group (in particular the impact of the COVID-19 pandemic), resolved to change the use of the remaining unutilized Net Proceeds. For details of the revised allocation, please refer to the announcement of the Company dated 29 September 2020. Applications of the Net Proceeds during the period from the Listing date up to 31 December 2020 were as follows:

Use of Net Proceeds:	Original allocation	Amount utilized up to the date of revised allocation	Unused amount up to the date of revised allocation	Revised allocation	Utilization from the date of revised allocation to 31 December 2020	Unused amount as at 31 December 2020	Expected timeline for utilizing the remaining proceeds (Note)
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	
Expansion in production capacity	46.8	16.8	30.0	8.9	0.7	8.2	Before 31 December 2022
Greater production automation	29.1	12.0	17.1	5.8	0.4	5.4	Before 31 December 2022
Enhancing our information technology system	9.4	1.1	8.3	1.9	–	1.9	Before 31 December 2022
Improving quality assurance capabilities	2.7	0.1	2.6	2.6	0.2	2.4	Before 31 December 2022
Increasing marketing efforts	1.2	–	1.2	–	–	–	
General working capital and other corporate purposes	6.0	6.0	–	10.0	5.2	4.8	Before 31 December 2021
Working capital for the business of precision engineering and precision machining services	–	–	–	30.0	10.4	19.6	Before 31 December 2021
	95.2	36.0	59.2	59.2	16.9	42.3	

As at 31 December 2020 and the date of this annual report, the unutilized Net Proceeds were placed in interest-bearing deposits with licensed banks in Hong Kong and Singapore.

Note:

The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group and will be subject to change based on future development or market conditions. As a result of the recent business environment and development of the Group (in particular the impact of the COVID-19 pandemic), the Board has resolved that the expected timeline for utilizing the remaining proceeds shall be on or before 31 December 2022 instead of 30 June 2022 and 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after the reporting period and up to the date of this annual report.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Thet, aged 34, was appointed as the executive Director, the chairman of the Board (the "Chairman"), the chairman of nomination committee ("Nomination Committee") and a member of remuneration committee ("Remuneration Committee") of the Company on 8 April 2020. He is responsible for formulation of the business strategies of the Group. He has 10 years of experience in the development and operations of mobile game business and management and technology solution development in information technology industry in the People's Republic of China (the "PRC"). Mr. Li is also familiar with digital management and application of information technology. Mr. Li holds a bachelor degree in electronic commerce from Beijing Information Science and Technology University (北京信息科技大學) in 2009. He also serves as directors of certain subsidiaries of the Company.

Mr. Toe Tiong Hock (卓仲福), aged 65, was appointed as the Director on 5 February 2018 and re-designated as the Chairman, executive Director and chief executive officer of the Company (the "CEO") on 9 March 2018 and the chairman of Nomination Committee on 22 June 2018. He resigned as the Chairman and the chairman of Nomination Committee on 8 April 2020. He is responsible for overall management and supervision of the operations of the Group.

Mr. Toe has over 25 years of experience in the metal precision components market in Singapore. Mr. Toe joined the Group in July 1987. Mr. Toe also serves as directors of certain subsidiaries of the Company. Mr. Toe is the spouse of Ms. Wong Yet Lian, who serves as directors of certain subsidiaries of the Group's manufacturing business.

Mr. Toe was educated to GCE Ordinary level in Singapore in 1974. Before joining the Group, from May 1983 to June 1986, Mr. Toe ran a business of installation of industrial machinery and equipment and mechanical engineering works through a partnership.

Mr. Toe has received the Public Service Medal in 2016 for his community work and contribution. He is currently the chairman of Fernvale Citizens' Consultative Committee; a district councilor of North East Community Development Council; a member of the financial committee of Ang Mo Kio Town Council; and school advisory committee of North Vista Primary School in Singapore. On 1 September 2020, Mr. Toe was appointed by the President of the Republic of Singapore as a Justice of Peace.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bau Siu Fung (鮑小豐), aged 54, was appointed as the independent non-executive Director of the Company on 22 June 2018. He is the chairman of the audit committee (the "Audit Committee") and a member of the Remuneration Committee.

Mr. Bau obtained a degree of Bachelor of Business Administration in Accountancy and Finance from Idaho State University in the U.S. and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Bau has years of experience in the auditing, accounting and financial management industry. From November 2011 to January 2017, Mr. Bau was appointed as an executive director of Sheen Tai Holdings Group Company Limited, a company listed on the Stock Exchange (stock code: 1335) while he also worked as its chief financial officer, company secretary and authorised representative until September 2017. Mr. Bau has been appointed as an independent non-executive director of AUX International Holdings Limited, a company listed on the Stock Exchange (stock code: 2080) since May 2015. From December 2019 to May 2021, Mr. Bau was appointed as an executive director of Chen Lin Education Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1593) while he also worked as its chief financial officer, company secretary and authorised representative.

Mr. Wong Po Keung (黃保強), aged 50, was appointed as an independent non-executive Director on 8 April 2020. He is the chairman of Remuneration Committee and a member of each of Audit Committee and Nomination Committee. Mr. Wong has ample experience in auditing, accounting, financial management and company secretarial practices in respect of listed companies in Hong Kong. He has been appointed as executive director of China Environmental Resources Group Limited, a company listed on the Stock Exchange (stock code: 1130) and listed on Singapore Exchange Limited (Singapore Stock Code: RS1) since 30 September 2013 while he also works as its financial controller and a member of the investment committee. Mr. Wong holds a Master degree in Business Administration from the University of South Australia. He is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Lau Chun Ho Edward (劉振豪), aged 49, was appointed as an independent non-executive Director on 8 April 2020. He is a member of each of Audit Committee, Nomination Committee and Remuneration Committee. He is a practicing solicitor of Hong Kong and has over 20 years' practical legal experience in advising financial and corporate transactions. He is currently the senior partner of Edward Lau Phoebe Ng Solicitors LLP. Mr. Lau is admitted as a solicitor in both Hong Kong and England and Wales (non-practising).

SENIOR MANAGEMENT

Mr. Zhu Ben Yu (朱本宇), aged 49, joined the Group as the chief financial officer of a subsidiary of the Company in January 2020 and was appointed as chief financial officer, the company secretary and authorised representative of the Company since April 2020. Mr. Zhu is also directors of certain subsidiaries of the Company. Mr. Zhu obtained Bachelor's Degree of Business Administration and Executive Master of Business Administration from The Chinese University of Hong Kong. Mr. Zhu is a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants and a Chartered Accountant of Chartered Accountants Australia and New Zealand. Mr. Zhu has over 20 years of experience in financial management, corporate finance and auditing with extensive experience taking the roles as chief financial officers, financial controllers and company secretary of several companies listed on the Main Board of the Stock Exchange.

Ms. Wong Yet Lian (黃月蓮), aged 63, joined the Group in August 1992 and serves as directors of certain subsidiaries of our manufacturing business. Ms. Wong has over 25 years of experience in the metal precision components market in Singapore. Ms. Wong is responsible for the overall management and supervision of operations of the Group's manufacturing business.

Ms. Wong was appointed as a Director of the Company on 5 February 2018 and re-designated as the executive Director and chief operating officer of the Company on 9 March 2018 and a member of the Remuneration Committee on 22 June 2018. She resigned from the positions of the executive Director, a member of Remuneration Committee and chief operating officer of the Company on 8 April 2020. She is the spouse of Mr. Toe, the executive Director and the CEO.

Ms. Wong obtained a certificate in accounting from the Adult Education Board Singapore in 1977. She also passed the book keeping examination under the Commercial Education Scheme of the London Chamber of Commerce and Industry in spring 1997. Before joining the Group, she worked with Chua Secretarial & Management Pte Ltd as an accounts executive from May 1978 to August 1992.

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value and accountability. The Directors recognize the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability. The Company adopted all the code provisions in the Corporate Governance Code (the "CG Code") in Appendix 14 of Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code on corporate governance practices.

During the year, the Company had complied with the code provisions in the CG Code with the exception of the code provision A.2.1. Details of such deviation is explained below.

BOARD OF DIRECTORS

The Company is governed by the Board which is responsible for the overall management, formulation of business strategies and supervision of operations of the Group and providing independent advice as well as monitoring the internal control and risk management systems and evaluating the financial performance of the Group. The Board sets the overall strategy and directions for the Group with a view to developing its business and enhancing the shareholders' value.

The Board meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group. The Board has delegated certain duties and authorities to the management for overseeing the finance and accounting operation, the information technology systems, operation of manufacturing business and operation of online business of the Group.

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements and etc. The Board held meetings from time to time whenever necessary. During the year, the Board reviewed the compliance with the CG Code, the disclosure in the corporate governance report and the effectiveness of the internal control and risk management systems of the Group.

The Board currently comprises two executive Directors, namely Mr. Li Thet (Chairman), Mr. Toe Tiong Hock (CEO), and three independent non-executive Directors (the "INEDs"), namely Mr. Bau Siu Fung, Mr. Wong Po Keung and Mr. Lau Chun Ho Edward.

The attendance records of the Directors for the regular Board, committees and general meetings of the Company for the year are as follows:

	Number of meetings attended/Number of meetings held during the tenure of directorship				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Directors					
Executive Director					
Mr. Li Thet *(Chairman)* (Note 1)	3/3	N/A	0/0	0/0	1/1
Mr. Toe Tiong Hock *(CEO)* (Note 2)	8/8	N/A	N/A	1/1	1/1
Ms. Wong Yet Lian (Note 3)	5/5	N/A	1/1	N/A	0/0
Ms. Lim Siew Choo (Note 4)	4/5	N/A	N/A	N/A	0/0
Independent Non-Executive Director					
Mr. Bau Siu Fung	8/8	3/3	1/1	N/A	1/1
Mr. Wong Po Keung (Note 5)	3/3	2/2	0/0	0/0	1/1
Mr. Lau Chun Ho Edward (Note 6)	3/3	2/2	0/0	0/0	1/1
Mr. Ng Hung Fai Myron (Note 7)	5/5	1/1	N/A	1/1	0/0
Prof. Pong Kam Keung (Note 8)	5/5	1/1	1/1	1/1	0/0

Notes:

1 Mr. Li Thet ("Mr. Li") was appointed as an executive Director, the Chairman, the chairman of Nomination Committee and a member of Remuneration Committee on 8 April 2020.

2 Mr. Toe Tiong Hock ("Mr. Toe") resigned as the Chairman and chairman of Nomination Committee on 8 April 2020.

3 Ms. Wong Yet Lian ("Ms. Wong") resigned as an executive Director and a member of Remuneration Committee on 8 April 2020.

4 Ms. Lim Siew Choo resigned as an executive Director on 8 April 2020.

5 Mr. Wong Po Keung ("Mr. Wong") was appointed as an independent non-executive Director, the chairman of Remuneration Committee, a member of each of Audit Committee and Nomination Committee on 8 April 2020.

6 Mr. Lau Chun Ho Edward ("Mr. Lau") was appointed as an independent non-executive Director, a member of each of Audit Committee, Nomination Committee and Remuneration Committee on 8 April 2020.

7 Mr. Ng Hung Fai Myron resigned as independent non-executive Director and a member of each of Audit Committee and Nomination Committee on 8 April 2020.

8 Prof. Pong Kam Keung resigned as independent non-executive Director, the chairman of Remuneration Committee and a member of each of Audit Committee and Nomination Committee on 8 April 2020.

Corporate Governance Report

In compliance with rule 3.10(2) of the Listing Rules, the Company appointed the INEDs with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The INEDs, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the INEDs and believes that their independence is in compliance with the Listing Rules.

Under the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. The term of appointment pursuant to the letter of appointment of Mr. Bau is for a period of three years till July 2024 and each of the letters of appointments of Mr. Wong and Mr. Lau is for a period of three years till April 2023 subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting (the "AGM") pursuant to the amended and restated articles of association (the "Articles of Association") of the Company.

During the year and up to the date of this annual report, the Company has complied with the code provisions under the CG Code, with the deviation that during the period from 1 January 2020 to 7 April 2020, the roles of the Chairman and the CEO have not been segregated as required under code provision A.2.1 of the CG Code. With effect from 8 April 2020, Mr. Toe ceased to be the Chairman but remains as an executive Director and the CEO, and Mr. Li was appointed as the new Chairman. Since then, the Company has complied with the code of provision A.2.1 of the CG Code.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors are aware of their responsibilities to the shareholders of the Company (the "Shareholders") and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. They have to participate in continuous professional development through internal or external training organised by the Company. During the year ended 31 December 2020, the Company provided training relating to duties of directors under the Listing Rules to each of the Directors. All Directors participated in the training and complied with the requirement of the CG Code on continuous professional development during the year ended 31 December 2020.

Every newly appointed Director receives an induction training to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a Director under applicable rules and requirements.

During the year, according to the records provided by the Directors, the participation by each Director in the continuous professional development (the "CPD") was recorded as follows:

The executive Directors, Mr. Li and Mr. Toe, and INEDs, Mr. Bau and Mr. Lau, participated in CPD activities by way of reading materials.

Mr. Wong, an INED participated in CPD activities by attending trainings.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors and by relevant employees of the Company. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding Directors' securities transactions during the year.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee in June 2018 with written terms of reference in compliance with the CG Code of the Listing Rules. The Remuneration Committee comprises one executive Director, namely Mr. Li, and three INEDs, namely Mr. Wong, Mr. Bau and Mr. Lau. The committee is chaired by Mr. Wong.

The primary duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management; approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and ensuring significant portion of executive Directors' remuneration linked rewards to corporate and individual performance. The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. The Remuneration Committee adopted the model under the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

During the year, the Remuneration Committee held one meeting and reviewed the Group's remuneration policy and structure; and reviewed and approved the remuneration packages of all Directors and senior management of the Company.

Details of emoluments of the Directors and Directors' retirement benefits for the year are disclosed in note 31(a) and note 31(b) to the consolidated financial statements.

SENIOR MANAGEMENT REMUNERATION

The remuneration of the members of the senior management of the Group by band for FY2020 is set out below:

	Number of individuals
Emolument bands	
HK$500,001 to HK$1,000,000 (equivalent to S$85,001 to S$170,200)	1
HK$1,000,001 to HK$1,500,000 (equivalent to S$170,201 to S$256,000)	1

NOMINATION COMMITTEE

The Company established a Nomination Committee in June 2018 with written terms of reference in compliance with the CG Code of the Listing Rules. The Nomination Committee comprises one executive Director, namely Mr. Li and two INEDs, namely Mr. Wong and Mr. Lau. The committee is chaired by Mr. Li.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing procedures for the sourcing and selection of members of the Board, identifying individuals suitably qualified to become Board members and making recommendation to the Board on the appointment or re-appointment of Directors.

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings or appointment as Directors to fill casual vacancies. The factors would be used as reference by the nomination committee in assessing the suitability of a proposed candidate including character and integrity, qualifications including professional qualifications, skills, knowledge and experience, the board diversity policy of the Company and other perspectives appropriate to the Company's business.

Each of the executive Directors and INEDs has entered into a service agreement or letter of appointment respectively for their appointments with the Company for a term of three years commencing from the date of their appointments and is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Articles of Association.

According to Article 84(1)-(2) of the Articles of Association, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

According to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members 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 AGM of the Company and shall then be eligible for re-election.

During the year, the Nomination Committee held one meeting and reviewed the structure, size and composition of the Board and the policy and procedures for nomination of Directors and assessed the independence of INEDs; and discussed the resignation and appointment of Directors and recommended to the Board.

AUDIT COMMITTEE

The Company established an Audit Committee in June 2018 with written terms of reference in compliance with the CG Code of the Listing Rules. The Audit Committee comprises three INEDs, namely Mr. Bau, Mr. Wong and Mr. Lau. The committee is chaired by Mr. Bau.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditor; approve the terms of engagement of the external auditor; review the effectiveness of the audit process; discuss with the external auditor the nature and scope of the audit and reporting obligations; and review the financial statements and reports of the Company, the Group's financial and accounting policies and practices and the Company's risk management and internal control systems.

During the year, the Audit Committee of the Company held three meetings and reviewed the Group's audited annual results for the year ended 31 December 2019, unaudited interim results for the six months ended 30 June 2020 and discussed with the management on the accounting principles and practices and financial reporting process including the audited financial statements and unaudited interim financial statements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR AND THEIR REMUNERATION

The statements of the auditor of the Company about their reporting responsibilities on the Group's financial statements for the year ended 31 December 2020 is set out in the section "Independent Auditor's Report" of this report. During the year, remuneration paid and payable to the auditor of the Group are approximately S$292,000 (2019: approximately S$257,000) for annual audit fee and no remuneration paid and payable to the auditor of the Group for non-audit services (2019: approximately S$50,000).

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Policy") which sets out the approach to achieve diversity on the Board. The Company acknowledges the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company believes that board diversity enhances decision-making capability and a diverse Board is more effective in dealing with organisational changes and less likely to suffer from group thinking. Board diversity is recognised as an essential element contributing to the sustainable development of the Company by enabling it to attract, retain and motivate employees from the widest possible pool of available talent. The Company continuously seeks to enhance the quality and effectiveness of the Board by maintaining the highest standards of corporate governance and recognising and embracing the benefits of diversity in the boardroom.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including gender, age, cultural and educational background or professional experience, skills, regional and industry experience, background, race, and other qualities etc. Board appointments will be based on meritocracy and contribution that the candidates will bring to the Board. Candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee of the Company will report on the Board's composition under diversified perspectives, monitor the implementation of the Policy, review the Policy on a regular basis to ensure its effectiveness. In forming the perspective on diversity of the Company, the Company will also take into account factors based on its own business model and specific needs from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems of the Group and reviewing their effectiveness annually in order to safeguard the interests of the Shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations. The main features and the key elements of the risk management and internal control systems of the Company include the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness. An ongoing risk assessment approach has been adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk. During the process of risk assessment, the Audit Committee is responsible for identifying the risks of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities. The identified risk together with the risk response will be recorded and subject to the Board's oversight.

An outsourced internal audit team was engaged to perform a review on the major operating units of the Group in relation to the risk management and the internal control systems of the Group during the first quarter of 2021, according to the scope of review agreed and directed by the Audit Committee covering the Group's material controls in financial, operational and compliance aspects for FY2020. The findings from the outsourced internal audit team was being reported to the Audit Committee.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The procedures and internal controls of the Company for handling and dissemination of inside information includes conducting the affairs of the Company with close regard to the Guidelines on Disclosure of Inside Information published by Securities and Futures Commission and the Listing Rules and reminding the Directors and employees of the Group regularly about due compliance with all polices regarding the inside information.

During the year, risk management and internal control systems have been reviewed by the outsourced internal audit team with the management of the Company and the Board had reviewed the effectiveness of the Group's risk management and internal control systems and considered the Group's risk management and internal control systems are effective and adequate.

The Company has an internal audit function performed by the outsourced internal audit team which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Audit Committee on, at least, an annual basis.

COMPANY SECRETARY

The Company engaged Ms. Leung Hoi Yan ("Ms. Leung") as the company secretary of the Company (the "Company Secretary") since 1 June 2019. Ms. Leung resigned as the Company Secretary with effect from 8 April 2020. During the period of Ms. Leung's service with the Company, she was working with BPO Global Services Limited. Mr. Zhu Ben Yu ("Mr. Zhu") was appointed as the Company Secretary with effect from 8 April 2020. The biographical information of Mr. Zhu is set out in the section headed "Biographies of Directors and Senior Management" in this annual report. During the year under review, Mr. Zhu has undertaken not less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association, any 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 shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner.

Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph. The written requisition should be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, specifying the Shareholders' contact details and the resolution intended to be put forward at general meeting.

Before including a resolution to propose a person for election as a Director at general meeting, Shareholders are requested to follow the Articles of Association. A written notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting of the Company appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for Shareholders to propose a person for election as a Director are posted on the Company's website.

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Chairman at the Company's principal place of business in Hong Kong at 21/F, Harbour Commercial Building, 122-124 Connaught Road Central, Hong Kong.

INVESTOR RELATIONS

The aim of the Shareholders' communication is to set out the provisions with the objective of providing the Shareholders with information about the Company and enabling them to engage actively with the Company and exercise their rights as the Shareholders in an informed manner.

Effective and timely dissemination of information to the Shareholders should be ensured at all times. Information should be communicated to the Shareholders by making available all the corporate communication documents including annual report, interim report, announcements, circulars and notices of meetings are published on the Company's website (www.fsmtech.com).

During the year, there had been no change in the Company's constitutional documents.

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statement of the Group for FY2020.

The Company was incorporated in the Cayman Islands with limited liability on 5 February 2018 and its shares were listed on the Main Board of the Stock Exchange on 16 July 2018.

PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Company is located at 21/F, Harbour Commercial Building, 122-124 Connaught Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its operating subsidiaries are engaged in (i) manufacturing of sheet metal fabrication with a focus on precision engineering, precision machining service and provision of post-treatment processes; and (ii) online business in the development, distribution and operation of online mobile game. The principal activities of principal subsidiaries of the Group are set out in note 15 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for FY2020 and financial position of the Group as at 31 December 2020 are set out in the section headed "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Financial Position" on pages 58 and 60 to 61 respectively in this annual report.

A review of the Group's business for FY2020, which includes a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators of the Group's business, particulars of important events affecting the Group, an indication of likely future developments in the Group's business, and discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" of this annual report. The review forms part of this Directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2020, as far as the Directors are aware, the Company did not have any non-compliance with relevant laws and regulations that is material or systemic in nature.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group endeavours to protect the environment in which it operates its businesses. The Group's manufacturing business has established environmental management systems and were certified for ISO 14001:2015 (Environmental Management Systems) to improve our energy efficiency and ensure minimum impact caused by our operations.

The Group's online business does not involve in production-related environmental (air, water, land) pollutions which are regulated by applicable laws and regulations in the PRC and Hong Kong.

During FY2020, the Group has complied with the applicable laws and regulations of the places where the Group has business operations. The Group will review our environmental practices from time to time and will consider implementing further measures and practices in the Group's business operations to enhance environmental sustainability.

For more details of the Group's performances and management approach regarding the environmental and social aspects, please refer to the section headed "Environmental, Social and Governance Report" on pages 33 to 52 in this annual report.

DONATIONS

Charitable and other donations made by the Group during FY2020 amounted to approximately S$41,200 (2019:S$20,000).

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF ATTENDING AND VOTING AT THE ANNUAL GENERAL MEETING OF THE COMPANY

For the purpose of determining the rights to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 7 February 2022 to Thursday, 10 February 2022 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the AGM, unregistered holders of the shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 4 February 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during FY2020 are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries during FY2020 are set out in note 15 to the consolidated financial statements.

KEY RISKS AND UNCERTAINTIES

In relation to the manufacturing business, the Group faces various risks in our operations such as reliance on several major customers, product life cycle of machineries produced by our customers or principal customers, currency fluctuations as well as the industry and regulatory landscape in Singapore and Malaysia. For more details, please refer to the section headed "Risk Factors – Risk relating to our business" in the Prospectus.

In relation to the Group's newly established online business, there are certain risks that could adversely affect the Group's operations and financial results due to (i) reliance on distribution channel providers, (ii) competition from other forms of entertainment generally available to the public such as console gaming, cinema, television, sports and music; (iii) one single product yet to test the market; and (iv) exposure to payment delays or defaults from settlement agents, which would adversely affect the Group's cashflow and financial results.

In addition, risk and uncertainties arising from the COVID-19 pandemic are set out in the section headed "Management Discussion and Analysis" of this annual report.

SHARE CAPITAL

The Company's total issued share capital as at 31 December 2020 was 1,000,000,000 ordinary shares ("Shares") with par value of HK$0.01 per Share.

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during FY2020 are set out in the "Consolidated Statement of Changes in Equity" on page 62 of this annual report.

As at 31 December 2020, the Company had reserves amounting to approximately S$57.8 million available for distribution.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements is set out on pages 113 to 114 of this annual report. This summary does not form part of the audited financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2020 are set out in note 27 of the consolidated financial statements.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Executive Directors:

Mr. Li Thet (appointed as the Chairman on 8 April 2020)
Mr. Toe Tiong Hock (resigned as the Chairman on 8 April 2020)
Ms. Wong Yet Lian (resigned on 8 April 2020)
Ms. Lim Siew Choo (resigned on 8 April 2020)

Independent non-executive Directors:

Mr. Bau Siu Fung
Mr. Wong Po Keung (appointed on 8 April 2020)
Mr. Lau Chun Ho Edward (appointed on 8 April 2020)
Prof. Pong Kam Keung (resigned on 8 April 2020)
Mr. Ng Hung Fai Myron (resigned on 8 April 2020)

Mr. Wong and Mr. Lau, being independent non-executive Directors, will retire by rotation and, being eligible, will offer themselves for election at the forthcoming AGM, in accordance with Article 84 of the Articles of Association.

The Company has received annual confirmations of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Biographical information of the Directors and the senior management of the Group are set out on pages 12 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of their appointments, unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the date of their appointments.

None of the Directors, including those to be re-elected at the AGM, has an unexpired service agreement or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

CHANGE IN INFORMATION OF THE DIRECTORS

On 16 July 2021, the service agreement of Mr. Toe, as an executive Director was being renewed for a term of three years following the expiry of his previous appointment on 15 July 2021. Mr. Toe is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Articles of Association. Pursuant to the new service agreement, Mr. Toe is entitled to a remuneration of S$400,000 per annum which shall be subject to review by the remuneration committee of the Company.

On 16 July 2021, the letter of appointment of Mr. Bau as an independent non-executive Director was being renewed for a term of three years following the expiry of his previous appointment on 15 July 2021. Mr. Bau is subject to retirement by rotation and re-election at AGM of the Company in accordance with the Articles of Association. Pursuant to the new appointment letter, Mr. Bau is entitled to receive a remuneration of HK$120,000 per annum.

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 ended 31 December 2020.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests or short positions of the Directors or chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are 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 register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules were as follows:

Long positions in the Shares

Name of Director	Nature of interest	Number of Shares held/ interested in	Approximate percentage of issued share capital
Mr. Li (Note)	Interest in controlled corporation	602,340,000	60.23%

Note: Luxuriant East Limited ("Luxuriant East") is directly wholly-owned by Mr. Li therefore Mr. Li is deemed to be interested in the Shares which Luxuriant East is interested in under the SFO.

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 were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are 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 the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholder	Nature of interest	Number of Shares held/ interested in	Approximate percentage of issued share capital
Luxuriant East (Note)	Beneficial owner	602,340,000	60.23%

Note: Luxuriant East is directly wholly-owned by Mr. Li therefore Mr. Li is deemed to be interested in the Shares which Luxuriant East is interested under the SFO.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year and up to the date of this annual report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or anybody corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in note 29 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, was a party and in which a Director or an entity connected with a Director had a material interests directly or indirectly subsisted at the end of the year or at any time during FY2020.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company or any of its subsidiaries had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during FY2020.

Report of the Directors

CONNECTED/RELATED PARTY TRANSACTIONS

During FY2020, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

Details of the significant related party transactions undertaken in the normal course of business are set out in the note 29 to the consolidated financial statements. None of the related party transactions as disclosed constituted disclosable non-exempted connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules and the Company had complied with the relevant requirements of Chapter 14A of the Listing Rules during FY2020.

CHANGE OF CONTROLLING SHAREHOLDER AND THE OFFER

On 9 December 2019, KAL SG Limited and KYL SG Limited (together, the "Vendors"), Mr. Toe and Ms. Wong, both were guarantors and beneficial owners of the Vendors and Luxuriant East entered into the share purchase agreement ("Share Purchase Agreement"), pursuant to which the Vendors agreed to sell and Luxuriant East agreed to purchase a total of 602,000,000 Shares, representing approximately 60.20% of the entire issued share capital of the Company at that time, for a total consideration of HK$252,840,000 (equivalent to HK$0.42 per Share) (the "Offer"). The completion of the Share Purchase Agreement took place on 20 December 2019. Since then, Luxuriant East had become the controlling Shareholder. Luxuriant East was required under The Codes on Takeovers and Mergers and Share Buy-backs to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it at a price of HK$0.42 per Share. At the close of Offer on 13 February 2020 and up to the date of this annual report, Luxuriant East held 602,340,000 Shares, representing approximately 60.23% of the entire issued share capital of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of Directors (including former Directors up to their resignation during the year), nor their respective close associates (as defined in the Listing Rules) had engaged in or were interested in any business which competed or was likely to compete, either directly or indirectly, with business of the Group during the year ended 31 December 2020.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities. Such permitted indemnity provision has been in force throughout FY2020 and at the time of approval of this annual report.

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 15 March 2018 (the "Scheme") and shall be valid until 15 March 2028. Pursuant to the Scheme, certain eligible participants, among others, the Directors and employees of the Group may be granted options to subscribe for Shares. The purpose of the Scheme is to provide incentives or rewards to employees for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources. A summary of the principal terms of the Scheme is set out in the paragraph headed "D. Share Option Scheme" in Appendix V to the Prospectus. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2020.

The maximum number of Shares which can be awarded under the Scheme is 100,000,000 Shares, being 10% the total number of Shares in issue as at the Listing Date unless the Company obtains the approval of the Shareholders in general meeting for refreshment. Upon acceptance of an offer for grant of option(s) under the Scheme, the participant shall pay HK$1.00 to our Company by way of consideration for the grant of option(s) which will be offered for acceptance for a period of 7 days from the date of grant.

Unless approved by Shareholders in a general meeting, the amount of Shares which can be awarded to a substantial Shareholder or an independent non-executive Director or their respective associates in the Scheme in the 12-month period up to and including the date of such grant for any particular aforementioned person in aggregate, is at maximum 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, of a maximum of HK$5.0 million and to any other participant, a maximum of 1% of the Shares in issue.

The subscription price for the Shares subject to any particular option under the Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the relevant option; and (iii) the nominal value of a Share.

EQUITY-LINKED AGREEMENTS

Except for the Scheme disclosed above, no equity-linked agreement was entered into during FY2020.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2020, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 6.5% and 26.8% (FY2019: approximately 14.5% and 40.7%) respectively of the Group's total purchases. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 48.0% and 96.6% (FY2019: approximately 83.0% and 99.3%) respectively of the Group's total revenue for FY2020.

To the best of the Directors' knowledge, none of the Directors, nor its close associate (as defined in the Listing Rules), and none of the Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group has maintained good relationship with our employees. In addition to competitive salaries, the Group offers to our employees bonuses and other allowances. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Customers

The Group has established stable business relationships with our major customers. The Directors consider that our long-term business relationships with our major customers would further enhance our market recognition and enable us to attract more potential business opportunities.

Suppliers

The Group's suppliers primarily include suppliers of materials, subcontractors and distribution platforms. The Group maintains an internal list of approved suppliers. We carefully evaluate the performance of our suppliers and select them based on a number of factors such as pricing, quality of material or services or equipment provided, their resources and skills, their licenses and certifications, timeliness of delivery and ability to comply with our requirements and specifications. The Group will review and update our internal list of approved suppliers according to our assessment of their performance on an ongoing basis.

RETIREMENT SCHEME

The Group participates in the CPF scheme, EPF scheme, the MPF scheme and the central pension scheme operated by the municipal and provincial government authorities in China which are defined contribution pension schemes in Singapore, Malaysia, Hong Kong and China respectively.

(a) The CPF scheme is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement.

(b) The EPF scheme is a national pension scheme that requires employees in Malaysia, who are Malaysian to contribute up to 13.0% of the eligible employees' salaries to the EPF scheme.

(c) Under the MPF scheme, the Group and the employees of Hong Kong subsidiaries are each required to make contribution to the plan at 5% of the employee's relevant income with a maximum amount of HK$1,500 per month as a mandatory contribution, subject to a cap of monthly relevant income of HK$30,000. Employees may elect to contribute more than the mandatory contribution as a voluntary contribution.

(d) Employees of the subsidiary in China are members of the central pension scheme operated by the municipal and provincial government authorities in China. The Group is required to contribute a certain percentage of employee's remuneration to the central pension scheme to fund the benefits. The only obligation of the Group with respect to the central pension scheme is to make the associated required contribution under the central pension scheme.

Save as aforesaid, the Group did not participate in any other pension schemes during FY2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there was sufficient public float in the Company's issued shares as required under the Listing Rules.

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

During FY2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The remuneration of the members of the senior management of the Group by band for FY2020 is set out as below:

	Number of individuals
Emolument bands	
HK$500,001 to HK$1,000,000 (equivalent to S$85,001 to S$170,200)	1
HK$1,000,001 to HK$1,500,000 (equivalent to S$170,201 to S$256,000)	1

Details of the emoluments of the Directors and the five highest paid individuals of our Group during FY2020 are set out in note 31 and 11 to the consolidated financial statements.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 14 to 21 in this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Board, in declaring or recommending a payment of dividends, to allow the Shareholders to participate in the Company's profits.

The Company in general meeting may from time to time declare dividends in any currency to be paid to Shareholders. The Board may from time to time pay to Shareholders such interim dividends as appear to be justified by the profits of the Company. The declaration of or recommendation of declaration of dividends is subject to the absolute discretion of the Board.

In deciding whether to recommend the payment of dividend to Shareholders, the Board will take into account factors including general business conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company, the financial condition and results of operations of the Group, the expected capital requirements and future expansion plans of the Group, future prospects of the Group, statutory and regulatory restrictions, contractual restrictions on the payment of dividends by the Group to the Shareholders or by the subsidiaries of the Company to the Company, and taxation considerations. The payment of dividend is also subject to applicable laws and regulations and the Company's constitutional documents. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

Report of the Directors

FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for FY2020.

AUDIT COMMITTEE

The Audit Committee has reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited financial statements for FY2020.

AUDITOR

The consolidated financial statements for FY2020 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the year.

On behalf of the Board,

Li Thet
Chairman
8 December 2021

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the third published Environmental, Social and Governance (the "ESG") Report of FSM Holdings Limited ("FSM", together with its subsidiaries, collectively the "Group"), covering the period 1 January to 31 December 2020 (the "reporting period"). This report provides an overview of the Group's management approaches and performance in respect of environmental and social aspects during the financial year. It has been prepared in compliance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Stock Exchange ("HKEX") in conjunction with the "comply or explain" provision as well as the "recommended disclosures". For corporate governance aspects, please refer to the Corporate Governance Report on pages 14 to 21 in this annual report.

The Board of Directors acknowledges its responsibility for upholding the integrity of the report and confirms that it has reviewed and approved the report. To the best of its knowledge, the report addresses all relevant material issues and fairly presents the ESG performance of the Group.

Reporting Boundary

This report covers the Group's major operations, it's manufacturing business including its six subsidiaries of FSM based in Singapore and Malaysia.

All information is retrieved from the Group's financial reports and official documents, adhering to the reporting principles of materiality, quantitative, balance and consistency. The report embodies the quantitative and consistency principles through checking and analysing data for year-on-year changes, thereby facilitating a meaningful comparison over time.

Ways to Reach Us

We interact with our stakeholders, take into consideration their interests and respond to their concerns. If you would like to provide feedback, please contact us at:

FSM Holdings Limited
Address:
21/F, Harbour Commercial Building, 122-124
Connaught Road Central, Hong Kong
Phone: +852 3170 3225
Fax: +852 3468 1939
Email: contact@fsmtech.com

How to Obtain this Report

This report is published in English and Chinese. In case of any conflicts between the two versions, the English version shall prevail. PDF version of the report is available on HKEX's website and on our website: www.fsmtech.com

Environmental, Social and Governance Report

CEO MESSAGE

Dear stakeholders,

As the Group's manufacturing business, a sheet metal fabricator with a sizeable presence in the market, the Group is committed to using its resources and influence to pave the way for the sustainable movement in the semiconductor manufacturing industry. To manage the challenges brought by the unprecedented COVID-19 pandemic, the Board has stepped up its efforts, working closely with both Singapore and Malaysia governments to comply with relevant policies while constantly monitoring the situation. We responded to the pandemic promptly by initiating effective communications with employees and external stakeholders. In addition to the timely announcement to raise the safety awareness among our employees, we issued voluntary announcement updating the impacts of the pandemic.

The Group practices a sound quality management system and has mindset firm on safe production. Striving to be a socially responsible enterprise, we continued to attain the reputable bizSAFE Level 4 certification from Workplace Safety and Health Council of Singapore during the reporting period, in tune with the commitments toward operational health and safety as demonstrated by the top management. Besides, we continue to use the Enterprise Resource Planning ("ERP") system for internal management and production optimisation, safeguarding product quality and customer satisfaction of our manufacturing business.

Business growth does not come without an environmental impact. With this embedded in the mind, environmental management system of the Group is maintained and certified as ISO 9001 standard. We are committed to constantly enhance the management system and thereby conserve resources and mitigate our impact on the environment.

The Group's march toward sustainability remains steadfast by virtue of the enduring spirit of its stakeholders as well as the unceasing support from employees. The business can be recovered with the solid foundation maintained by our stakeholders along the value chain. Looking ahead, we will keep pace with the ongoing sustainability effort amidst the pandemic and display resilience in managing our business.

8 December 2021
FSM Holdings Limited
Toe Tiong Hock
CEO

ESG MANAGEMENT APPROACH

The rising trend of corporate consciousness about sustainability significantly enhances the concerns of stakeholders on non-financial aspects alongside the financial growth. In view of this transition, the Group acknowledges the need for striking a balance between business growth and sustainable development. As a leading sheet metal fabricator specialising in precision engineering and serving as a precision machining service provider in Singapore, we have integrated the sustainability parameters into our business model, in order to prosper while conserving resources, valuing employees and ensuring operational competency.

ESG management of the Group is overseen by the Board and senior management. The task force is responsible for overseeing the strategic approach for managing the environmental and social topics.

Stakeholder Engagement

The Group concedes the grave necessity of building a strong relationship with our stakeholders and that facilitates for aligning the concerning topics with the business operations. We have been engaging our pivotal stakeholders, including customers, employees, community, suppliers, the governments and investors and shareholders, to keep ourselves abreast of their concerns through various channels. Effective communication helps efficient resource allocation for ESG topics of high relevance and issues critical to the operating model.

	Stakeholders					
	Customers	Employees	Community	Suppliers	Governments	Investor and shareholders
Issue of concern	• Product safety • Customer satisfaction • Data privacy	• Career development and training • Remuneration • Occupational Health and Safety	• Environmental protection • Contribution to the community	• Third party risk management	• Legitimacy of services and business ethics • Employee protection • Tax compliance	• Corporate governance • Business operations • Information disclosure
Engagement Channels	• Company website • Feedback by phone • Formal process for handling complaints	• Staff meetings • Annual appraisals	• Compliance with applicable laws and regulations • Support charity organisations	• Website for prospective suppliers • Responses to supplier inquiries	• Compliance with applicable laws and regulations	• Annual reports and interim reports • Press releases
Corresponding sessions	• Quality Assurance • Customer Experience • Data Privacy	• Human Capital Development • Health and Safety • Employee's Rights and Welfare	• Environmental Management • Community Contribution	• Supply Chain Management	• Employment • Culture of Responsible Conduct	• Culture of Responsible Conduct • Data Privacy

OPERATIONAL EXCELLENCE

We recognise the great deal of trust our customers place in us when choosing our brand. It is of utmost importance that our product manufacturing and delivery processes are maintained at the highest quality and standards.

Quality Assurance

Consistent and standardised quality of products in our manufacturing business is critical to meet the high complexity and precision required in in our product manufacturing. In addition to the Group's ISO 9001:2015-certified quality management system, we have obtained a management system certificate for precision manufacturing and services for the aerospace mechanical industry.

In accordance with our quality management system, a comprehensive set of testing and inspection procedures stipulated in our quality procedure is strictly followed by quality control personnel of respective departments throughout the entire production processes. This is to ensure that all products meet the required specifications and quality standards. Should there be any defects identified, they are recorded and reported as non-conformance, with appropriate rectification decisions taken, such as product rejection and returning to the supplier.

First Article Production	In-coming inspection	In Process Inspection	Out-going Inspection
Upon request from the customer, the concerned departments first conduct article inspection	Accept raw materials based on delivery order	Respective departments carry out in-process inspection	Conduct final inspection on finished items
Quality Control Department Head reviews the first article inspection report	Conduct inspection of materials based on physical and visual condition	Dispose non-conforming parts in accordance with non-conforming product procedures	Update the results of critical profile dimensions
	Return products with defects to vendors		

Advanced Machinery and Technology

To keep enhancing the overall production capability, automation and accuracy in manufacturing business, the Group continuously acquires advanced machines and robotics. The great flexibility of robotics enables us to meet customers' requirements and maintain high precision. This also helps to reinforce our position and competitiveness in the Singapore sheet metal fabrication market.

- **5-axis milling machine**
- **Robotic welding machine**
- **Laser welding machine**
- **Coordinate machine**

This year, the Group continues to implement the ERP system to raise the efficiency of its production and management in our manufacturing business. The ERP system will not only help reduce the production cost, but it will also enable more efficient maintenance of documentation and records on quality assurance activities with reduced manual processes. As a result, the quality control process will be lubricated and production cycle time will be shortened.

Customer Experience

A customer-centric approach ensures long-lasting business relationships with clients. We spare no effort in meeting or even reaching beyond our customers' expectations throughout the entire manufacturing process. To this end, we have clearly defined responsibilities assigned to different personnel and departments for delivering a satisfactory experience to customers.

Shouldering the ultimate responsibility, the Managing Director and designated managers handle customer complaints and liaise with them in a timely manner regarding production matters. The Managing Director is also responsible for contract review and makes final decisions on endorsing a quotation.

In the event of a customer rejecting a product for non-conformance, corrective and preventive actions are initiated by the Quality Control Department head or a management representative. On top of keeping all the reported cases on our non-conforming product record, other actions including raising a corrective action report and preparing a non-conformance Report may be needed. The following diagram summarises the procedures of navigating through corrective actions:

Investigate

- Identify the problem
- Investigate the cause

Analyse

- Determine the cause
- Recommend corrective action

Monitor

- Evaluate remedial action
- Make changes to QMS

During the year, we encountered 2 complaints and both were settled satisfactorily. The Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Supply Chain Management

We are dedicated to closely engaging and forming strong relationships with suppliers and subcontractors. The Group engages suppliers of materials and subcontractors who perform some of the post-treatment processes in our business operations in manufacturing business. As at 31 December 2020, the Group's manufacturing business engages 320 suppliers, of which 224 are located in Singapore, 87 suppliers are in Malaysia, and the remaining 9 are from other geographical locations.

The Group strives to partner with suppliers who can demonstrate sustainable practices and deliver responsible services. The Managing Director has the ultimate authority to select and approve suppliers as well as to evaluate their performances. Information including purchasing data and verification of purchased products forms a basis for the selection of vendors and suppliers. Internal assessments are also conducted to shortlist and approve suppliers based on factors that include quality of products or services, skills, delivery time and reputation.

Ongoing collaboration with suppliers and subcontractors is essential for ensuring product quality. Regular meetings and discussions serve as a platform for new offerings, returns and product quality improvement. Besides, the performance of suppliers is reviewed through comparison with peers and qualitative indications on a monthly basis. Suppliers who are unable to demonstrate expected performance and fail to improve within two months can face removal from our approved vendors list.

Stringent measures are taken to ensure all produced materials and outsourced parts meet the required standards. Apart from physical and visual quality inspections carried out at our sites, the Group requires suppliers to take up the responsibility for properly scheduling and arranging inspection at their respective facilities. This allows our inspectors to verify product quality at source by thorough examination.

Intellectual Property Protection

The Group is committed to protecting intellectual property rights of its own as well as others it deals with and strictly adheres to internal policies to avoid any infringement. The intellectual property control policy outlines the procedures and assigns clearly defined responsibilities to different personnel. The management representative is responsible for ensuring effective implementation of intellectual property controls while any instances of non-conformance are reported directly to the managing director. On top of regular training for all staffs to keep them alert on safeguarding intellectual property, we require suppliers and employees to sign a non-disclosure agreement.

In addition, we provide annual intellectual property rights control training to all employees, conducted by managers or authorised personnel appointed by the Group.

During the year, the Group was not involved in any litigation relating to infringement of any intellectual property rights.

Data Privacy

We attach high importance to data security and privacy. The Group's data protection policy stipulates how personal data of employees are collected, used, disclosed or otherwise processed in accordance with the personal data protection act. Personal data are collected for specific purposes, including but not limited to performing obligations in connection with one's employment, administrative and human resources matters and evaluating one's suitability for employment. If a staff wishes to request a copy of the personal data, he or she may do so through the Group's data protection officer. The officer is also responsible for handling any feedback regarding personal data protection policies and procedures.

As the first line of defence against unauthorised access, collection and modification of personal data, we deploy a range of appropriate physical and technical measures, including up-to-date antivirus protection, encryption and the use of privacy filters. These serve to enhance information security by restricting access to stored data and its transmission.

Culture of Responsible Conduct

The Group upholds the highest ethical standards and prohibits any acts of bribery, extortion, fraud and money laundering. As defined in the employee handbook, a bribe is any inducement or reward offered, promised and provided with an intent to influence a business decision. It can come in different forms such as accepting or offering gifts, hospitality or payment with the expectation of receiving business advantages. Any employees found to have breached the Group's policy are subject to disciplinary action and may be dismissed for gross misconduct.

During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The Group was not involved in any corruption cases.

Community Contribution

The Group has always been committed to give back to the community where it has operations. During the year, donations equivalent to S$41,200 were made. In light of the pandemic, more than 1,400 surgical masks and face shields were donated to frontline workers in the medical profession and a community centre respectively. Looking ahead, the Group will continue to take up its corporate responsibility and contribute to development of vulnerable segments of the society.

OUR PEOPLE

Health and Safety

The topmost priority of the Group is to ensure the health and safety of employees and its working environment. To ensure strictly compliance with relevant laws and regulations at locations where our manufacturing business operate, including but not limited to the Workplace Safety and Health Act, Work Injury Compensation Act and Radiation Protection Act in Singapore, and Occupational Safety and Health Act ("OSHA") in Malaysia, we have implemented and regularly review our workplace safety and health policy by a committee comprising members from all departments to handle issues regarding safety and health.

We are certified for BizSAFE Level 4 by the Workplace Safety and Health Council in Singapore, in recognition of our efforts for maintaining workplace safety and health.

Our Goal on Occupational Health and Safety

The Group is committed to minimise workplace injury and accidents by using all available resources. During the reporting period, we recorded 0 case of work-related fatalities, 2 work-related accident, 2 injured employees, and 7 lost person days. Moving forward, we would continue to make our best efforts to maintain the record of zero fatalities and accidents as well as to minimise injuries.

Response to COVID-19

In view of the global outbreak of COVID-19, the Group has been closely monitoring the related developments. To reduce the possibility of virus transmission in local communities, we strictly follow government regulations on safe distancing in Singapore and movement control orders in Malaysia and make appropriate adjustments to our operations, including closure of work premises and restrictions on personnel movement.

To ensure the health and safety of the workforce, safety management measures are taken for resumption of business operations. Notices are issued to all employees regarding mandatory temperature screening and hand sanitisation requirements before entering work premises.

Tying in with local government's strategies to prevent further spreading of COVID-19, the Group has established a safety management measure system at its workplaces. Monitoring plans are implemented to ensure compliance with all relevant safety measures. We have appointed officers for coordinating the implementation of safety measures and conducting inspections. Immediate corrective actions are to be taken in case of any recorded non-compliance.

Safety at Workplaces

For maintaining a safe workplace, the Group strives to eliminate all potential hazards in its operations of manufacturing business. All operators must work in accordance with safety regulations of our machining department. For instance, operating staff are required to wear personal protective equipment while working.

Our fire contingency plan and emergency response Plan help us respond to emergencies related to fire and hazardous materials, for instance, we ensure the operations zone is clear of obstacles. During the reporting period, the emergency team conducted 2 evacuation exercises with participation of all employees.

Safety Training

To enhance safety awareness of the Group's operating staff in manufacturing business and equip them with the necessary operating skills, the Group is keen to offer training relevant to occupational safety. In 2020, we delivered a total of 20 hours of safety training to our employees covering OHS topics. Looking ahead, we would continue to provide relevant certified training courses.

During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Human Capital Development

The Group strives to ensure appropriate training and development opportunities are available to its employees. Our human resources department implements and regularly modifies the training and development policy.

Training for New Hires

The human resources department offers induction training to new hires with supervisors and department heads. The major focus is to familiarise new employees with the Group's policies, job responsibilities, health and safety requirements.

On-the-job Training

On-the-job training includes mentoring, coaching, job rotation, instructor-led courses, conferences, and seminars. They help improve technical capabilities and work efficiency of our employees.

Job Promotion

With the aim to utilise full potential of employees, sufficient opportunities for promotion and talent development are provided. Employees' performance is annually reviewed by department heads for promotion appraisals. Achievements, attendance, punctuality, teamwork, improvement and potential of employees are the factors considered during the annual appraisal.

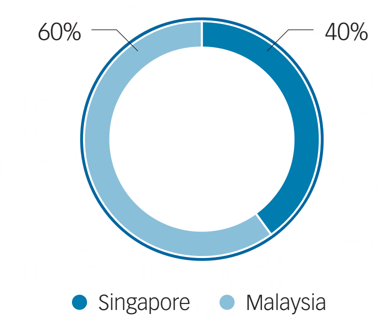
Training Evaluation

Working with the department heads, employees identify their own training needs. Employees can also apply for continuing education in case of any training needs. The human resources department offers funding and coordinates with department heads for determining training requirements. A career development plan and appropriate training is also recommended during annual promotion appraisal.

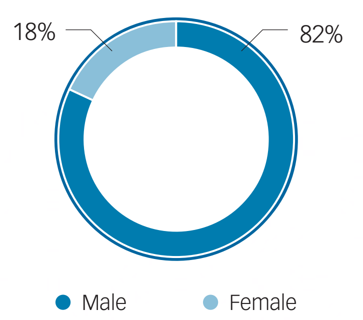
Workforce Profile

As of 31st December 2020, there were a total of 139 employees in manufacturing business. 56 of them were based in Singapore and 83 in Malaysia. The ratio of male to female is approximately 4:1. The majority of the employees are in the age group 31-50, accounting for half of the entire workforce.

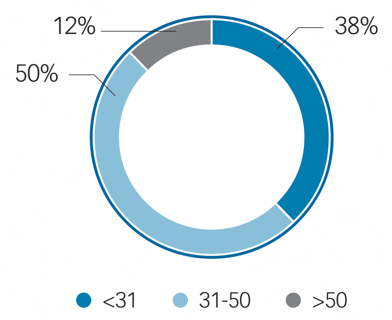
Employee Profile, by Geographical Region



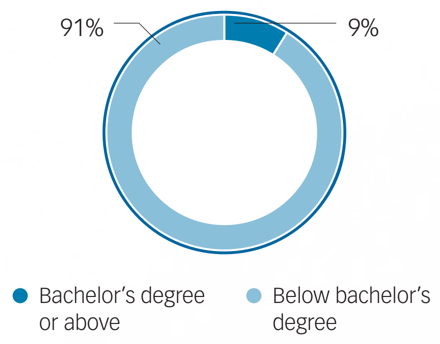
Employee Profile, by Gender



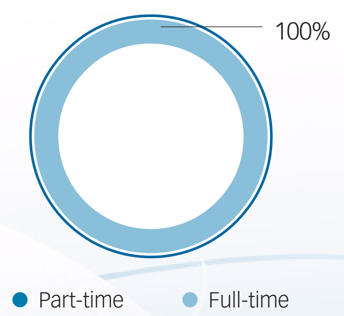
Employee Profile, by Age



Employee Profile, by Education



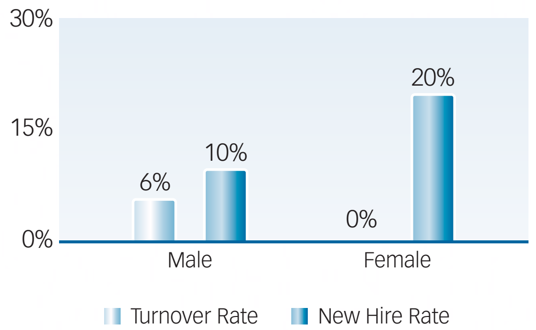
Employee Profile by Employment Type



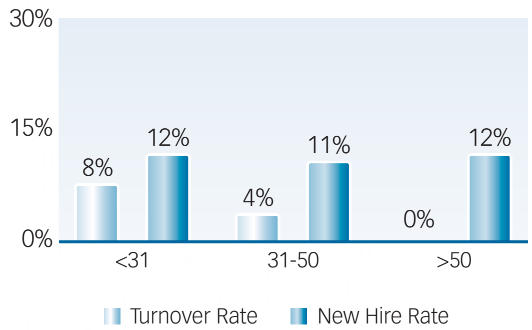
Safeguarding the employees, public and the environment in the event of an emergency and minimising its unforeseen impacts is the primary goal of our environmental management policies and practices. The Group has in place internal policies on emergency preparedness and response to prevent, respond and review the occurrence of emergency situations. The policy stipulates the actions to be carried out in operations of the entire value chain and are monitored by the management representative and the emergency response members of the Group's manufacturing business.

The Group's overall employee turnover and new hire rates were 5% and 12% respectively during the reporting period. Distribution of turnover and new hire rates by gender and age is as follows.

Turnover and New Hire Rates, by Gender



Turnover and New Hire Rates, by Age

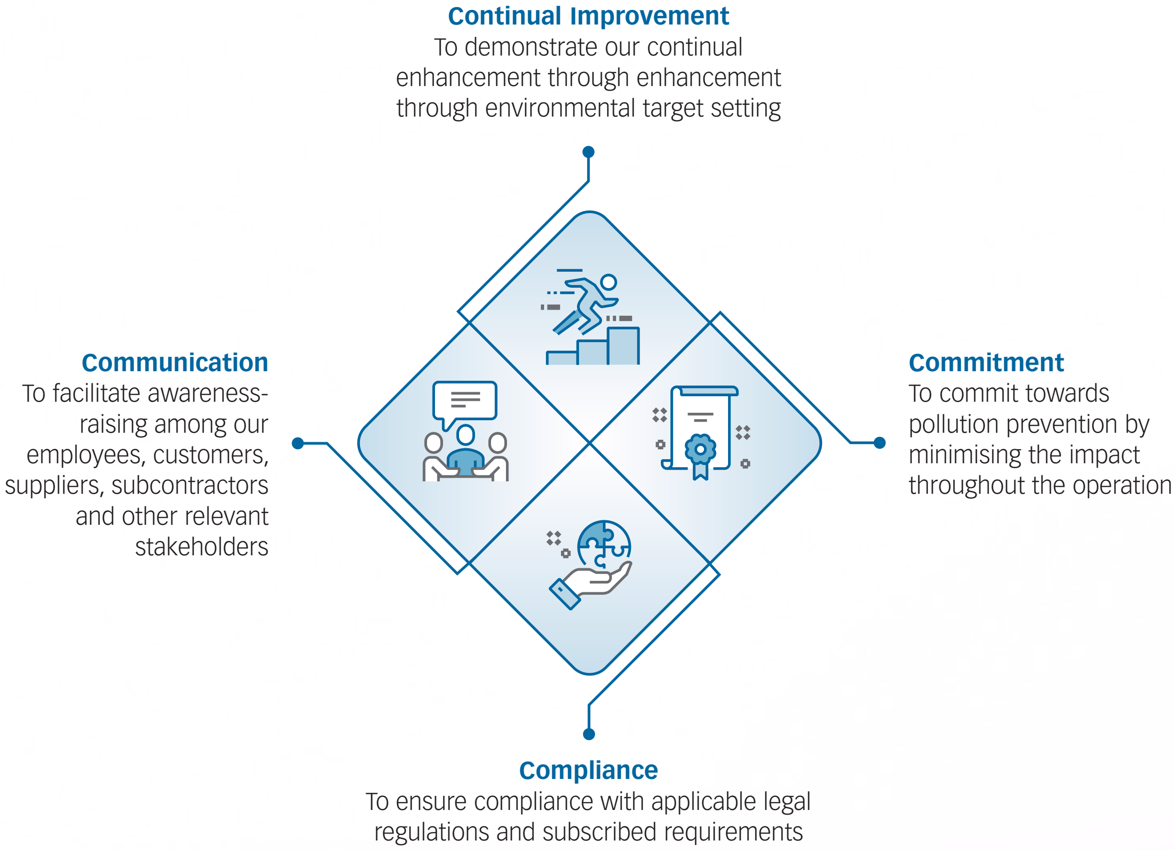


The Group strictly complies with all relevant labour laws and regulations including but not limited to the Employment Act, Employment of Foreign Manpower Act and Central Provident Fund Act in Singapore, and Employment Act, Employees Provident Fund Act and Employees' Social Security Act in Malaysia.

During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and preventing child or forced labour.

ENVIRONMENTAL MANAGEMENT

As a top-tier sheet metal and precision machining company in Singapore, the Group's manufacturing business comprehends the indispensability of the need for this leading operating unit to step up climate action. Along with the latest updated certification for the ISO 14001:2015 standard, the Group continued to make efforts to reduce its environmental impact in line with the 4Cs principles, namely commitment, compliance, communication and continual improvement during the reporting period.



Environmental Policy of the Group

During the reporting period, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Resources Consumption

Striving to address the alarming environmental and climate issues, the Group is committed to optimising resource consumption. To this end, we have set annual reduction targets for electricity and plastic wraps consumption by 10% and are making efforts to monitor the consumption of these two items regularly.

Throughout the production process, there are a variety of resources that get depleted at different stages. Besides electricity, water, diesel and refrigerants, other resources required at the three processing stages particularly are listed below.

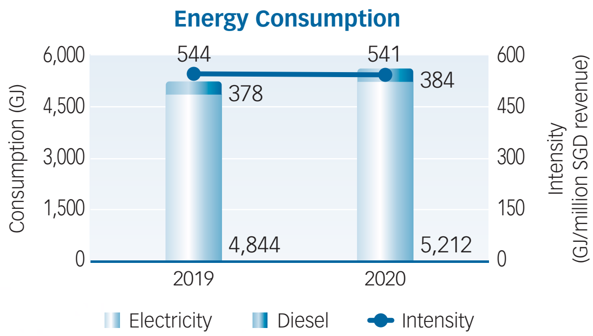
Primary Processing	Secondary Processing	Post-treatment Processing
• **Oxygen gas**: laser assist gas • **Acetylene gas**: fuel supply	• **Argon & nitrogen gases**: welding	• **Bubble & film wraps**: packaging materials

Resources Consumed at Three Production Stages

Energy

During the year, the majority of the Group's energy consumption was attributed to the diesel consumption for vehicles and forklifts and purchased electricity. A total of approximately 5,596 gigajoules ("GJ") and 541 GJ per million SGD revenue were recorded. Consumption of diesel and electricity account for 93% and 7% respectively of total energy consumption.

To make continual enhancements on decarbonisation, the Group's manufacturing business has implemented relevant initiatives such as turning off electrical appliances and machinery when not in use, maintain equipment regularly and set the temperature of air conditioners at 23°C or above.

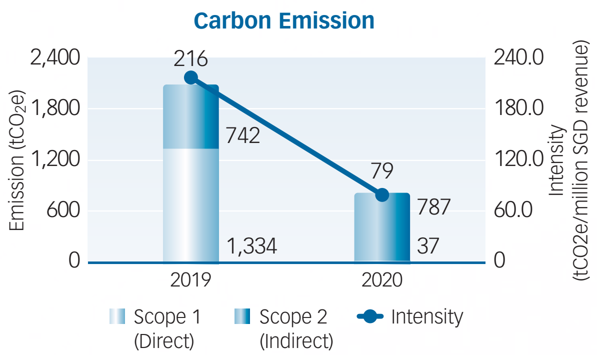


Air Emissions

The Group's manufacturing business generated carbon emissions directly from diesel combustion, refills of refrigerants and at different production stages, including laser-cutting and welding process (Scope 1) and indirectly from purchased electricity (Scope 2).

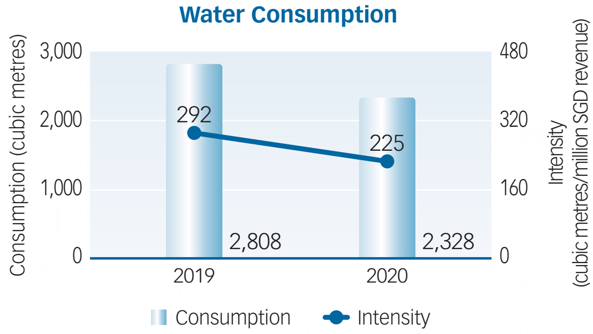
The total amount of carbon emissions during the year was approximately 824 tonnes of carbon dioxide equivalent (tCO_2e), a decline of 60 % compared to that of the previous year due to zero consumption of refrigerant. Scope 1 and Scope 2 carbon emissions were approximately 37 tCO_2e and 787 tCO_2e respectively. The carbon emission intensity was 79 tCO_2e per million SGD revenue.

For business commute and logistics purposes, the Group recorded emissions of approximately 0.17 kg sulphur oxides (SOx), 142 kg nitrogen oxides (NOx) and 12.90 kg particulate matter (PM) during the reporting period due to the consumption of diesel.



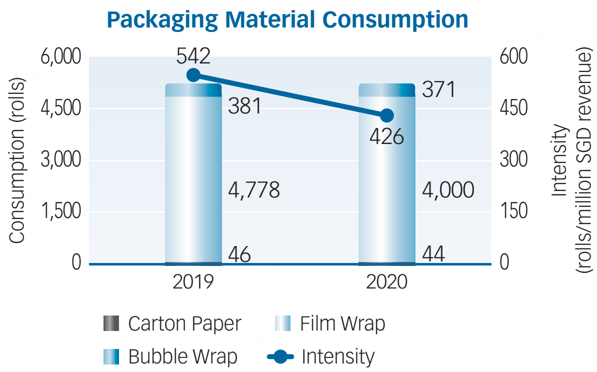
Water

The Group's manufacturing business consumed approximately 2,328 cubic metres of municipal water for domestic and industrial uses during the reporting period. A decline of 17% compared to the previous year achieved because of a series of reduction initiatives such as checking leaks in taps or pipes regularly, posting reminders for awareness raising and reuse of water where possible. The total water consumption intensity was approximately 225 cubic metres per million SGD revenues. There were no issues on sourcing of water during the reporting period.



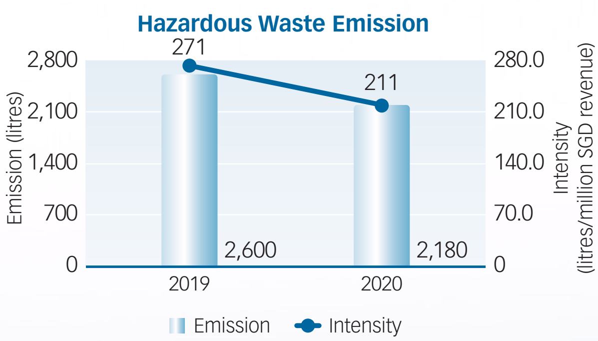
Packaging Materials

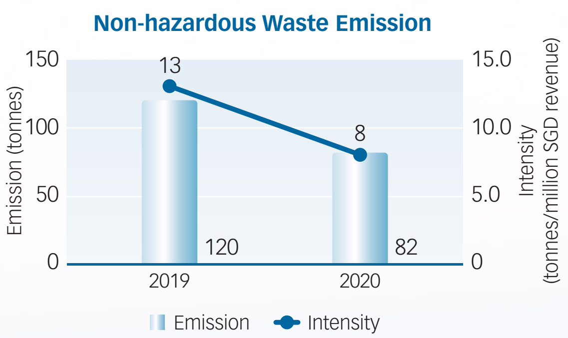
Carton paper, film wrap and bubble wrap are the three major packaging materials consumed in our operations. During the reporting period, we used 44 rolls of carbon paper, 4,000 rolls of film wrap and 371 rolls of bubble wrap. To accomplish the annual reduction target, the Group is dedicated to replace cardboard on pallets with bubble wrap for delivery. The intensity was approximately 426 rolls per million SGD revenue.



Waste

All waste is segregated into hazardous and non-hazardous waste, in accordance with the waste management policy of the Group. Hazardous waste including coolants and non-hazardous waste like plastic packaging materials and scrap metals are disposed, reused, recycled and resold by licenced operators. The Group's manufacturing business generated about 2,180 litres of hazardous waste and 82 tonnes of non-hazardous waste last year and the intensities were 211 litres per million SGD revenue and 8 tonnes per million SGD revenue respectively.





Environmental Emergency Management

Safeguarding the employees, public and the environment in the event of an emergency and minimising its unforeseen impacts is the primary goal of environmental management. The Group has in place internal policies on emergency preparedness and for determining the right response to prevent, respond and review the occurrence of emergencies. The policy stipulates the actions to be taken in the entire value chain, to be monitored by the management representative and members of the emergency response group.

PERFORMANCE DATA SUMMARY

		2020	2019	YoY
Workforce Demographics	**Total Headcount**	**139**	147	–5%
	By Geographical Distribution			
	Singapore	**56**	55	2%
	Malaysia	**83**	92	–10%
	By Age			
	<31	**52**	65	–20%
	31-50	**70**	72	–3%
	>50	**17**	10	70%
	By Gender			
	Male	**114**	124	–8%
	Female	**25**	23	9%
	By Education Level			
	Bachelor's degree or above	**13**	4	225%
	Below bachelor's degree	**126**	143	–12%
	By Function			
	Production	**111**	126	–12%
	Office	**20**	15	33%
	Managerial	**8**	6	33%
	By Employment Type			
	Part-time	**0**	0	0%
	Full-time	**139**	147	–5%
	Employees' Turnover Rate	**5%**	28%	–23%
	By Gender			
	Male	**6%**	27%	–21%
	Female	**0%**	30%	–30%
	By Age			
	<31	**8%**	25%	–17%
	31-50	**4%**	35%	–31%
	>50	**0%**	0%	0%
	Employees' New Hire Rate	**12%**	27%	–15%
	By Gender			
	Male	**10%**	28%	–18%
	Female	**20%**	17%	3%
	By Age			
	<31	**12%**	34%	–22%
	31-50	**11%**	24%	–13%
	>50	**12%**	0%	12%

		2020	2019	YoY
Health and Safety	Work-related accidents	**0**	1	–100%
	Injured employees	**2**	2	0%
	Lost days due to work injury	**7**	45	–84%
	Work-related fatalities	**0**	0	0%
	Safety training (hours)	**20.0**	146.5	–86%
Employees Training	**Total Hours of training (hours)**	**20.0**	237	–92%
	By Gender			
	Male (hours)	**20**	211	–91%
	Female (hours)	**0**	26	–100%
Supply Chain Management	**Total Number of Suppliers**	**320**	668	–52%
	By Geographical Regions			
	Singapore	**224**	516	–57%
	Malaysia	**87**	152	–43%
	Others	**9**	0	+100%
Community	**Donation (SGD)**	**41,200**	20,000	106%

		2020	2019	YoY
Environment	**Total Resources Consumption**			
	Energy (GJ)	**5,596**	5,222	7%
	Electricity (kWh)	**1,447,757**	1,345,676	8%
	Diesel (tonnes)	**9.01**	8.86	2%
	Municipal water (cubic metres)	**2328**	2808	–17%
	Bubble wrap (rolls)	**371**	381	–3%
	Film wrap (rolls)	**4,000**	4,778	–16%
	Carton paper (rolls)	**44**	46	–4%
	Intensity			
	Energy (GJ/million SGD revenue)	**541**	544	–1%
	Water (liters/million SGD revenue)	**225**	292	–23%
	Packaging materials (rolls/million SGD revenue)	**426**	542	–21%
	Emissions			
	Sulphur oxides (SOx) (kg)	**0.17**	0.17	0%
	Nitrogen oxides (NOx) (kg)	**142**	145	–2%
	Particulate matters (PM) (kg)	**12.9**	12.9	0%
	Greenhouse Gases Emissions			
	Total GHG emissions (tCO_2e)	**824**	2,076	–60%
	Scope I (tCO_2e)	**37**	1,334	–97%
	Scope II (tCO_2e)	**787**	742	6%
	Intensity			
	GHG emissions (tCO_2e/million SGD revenue)	**79**	216	–63%
	Waste			
	Hazardous waste (litres)	**2,180**	2,600	–16%
	Non-hazardous waste (tonnes)	**82**	120	–32%
	Intensity			
	Hazardous waste (litres/million SGD revenue)	**211**	271	–22%
	Non-hazardous waste (tonnes/million SGD revenue)	**8.0**	12.5	–36%

HKEX ESG CONTENT INDEX

KPIs		HKEX ESG Reporting Guide Requirements	Section/Remarks
A. Environmental			
Aspect A1: Emissions		**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management
	KPI A1.1	The types of emissions and the respective emissions data.	Air Emissions
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Air Emissions
	KPI A1.3	Total hazardous waste generated (in tonnes) and, where appropriate, intensity.	Waste
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Waste
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Resources Consumption, Air Emissions, Packaging Materials
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste
Aspect A2: Use of Resources		**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Management
	KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Energy
	KPI A2.2	Water consumption in total and intensity.	Water
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Energy
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for the purpose, water efficiency initiatives and results achieved.	Water
	KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Materials
Aspect A3: The Environment and Natural Resources		**General Disclosure** Policies for minimising the issuers' significant impact on the environment and natural resources.	Environmental Emergency Management
	KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Emergency Management

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B1: Employment	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other employee benefits and welfare.	Workforce Profile
	KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Workforce Profile
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Workforce Profile
Aspect B2: Health and Safety	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
	KPI B2.1 Number and rate of work-related fatalities.	Health and Safety, Performance Data Summary
	KPI B2.2 Lost days due to work injury.	Health and Safety, Performance Data Summary
	KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training	**General Disclosure** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Human Capital Development
Aspect B4: Labour Standards	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of child or forced labour.	Workforce Profile

KPIs	HKEX ESG Reporting Guide Requirements		Section/Remarks
Aspect B5: Supply Chain Management	**General Disclosure** Policies on managing environmental and social risks of the supply chain.		Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	Performance Data Summary
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Quality Assurance, Customer Experience, Intellectual Property Protection, Data Privacy
	KPI B6.2	Number of products and service related complaints received and how they are dealt with	Customer Experience
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Intellectual Property Protection
	KPI B6.4	Description of quality assurance process and recall procedures.	Quality Assurance, Customer Experience
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Privacy
Aspect B7: Anti-corruption	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Culture of Responsible Conduct
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Culture of Responsible Conduct
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Culture of Responsible Conduct
Aspect B8: Community Investment	**General Disclosure** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Contribution

Independent Auditor's Report

羅兵咸永道

To the Shareholders of FSM Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of FSM Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 112, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTER

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.

Key audit matters identified in our audit are revenue recognition and prior year adjustments.

Revenue recognition

Refer to Note 2.20 for the Group's accounting policies on revenue recognition and Note 7 for the analysis of revenue of the Group for the year ended 31 December 2020.

The Group recognised revenue from sales of goods and processing services to customers amounted to approximately S$10,342,000 for the year ended 31 December 2020.

Revenue from sales of goods is recognised at a point in time when control of the products has transferred. Control is transferred when the products are delivered to customers, customers have full discretion over sales of the products, and there is no unfulfilled obligation that could affect customers' acceptance of the products.

We focused on revenue recognition from sales of goods due to its magnitude and the nature of the Group's business. The recording of revenue involves high volume of transactions derived from sales to multiple customers such that we have incurred significant time and resources in carrying out our work in this area.

We understood and evaluated the Group's key internal controls over sales process and its revenue recognition policies. We tested the controls surrounding sales transactions, by reperforming 3-way match between sales orders, delivery documents and invoices, on a sample basis. For the samples selected, we inspected delivery documents and ensured customer acknowledged the receipt of goods in saleable condition and invoices billed were reviewed prior to recording to the accounting system.

We tested the sales transactions, on a sample basis, by comparing against sales orders, delivery documents, invoices and other supporting documents where relevant. To the extent that those sales amounts have been settled, we also reviewed bank advice and/or bank statements in support of the payments made by the customers.

Furthermore, we tested the sales transactions that took place shortly before and after the balance sheet date, on a sample basis, to assess whether these sales transactions were recognised in the correct reporting periods.

Our work also included testing of samples of revenue-related journal entries, which were selected based on risk-based criteria and by inquiring management of their nature. We also validated the samples selected to supporting documents.

Based on the procedures performed above, we found that the Group's sales transactions tested were recognised in a manner consistent with the Group's revenue recognition accounting policies.

KEY AUDIT MATTER (CONTINUED)

Prior year adjustments ("PYAs")

Refer to Note 3 for the details of PYAs.

During the course of preparing the consolidated financial statements for the year ended 31 December 2020, management made PYAs to the comparative consolidated financial statements for the year ended 31 December 2019 and as at 1 January 2019. Management engaged an independent consultant ("Independent Consultant") to perform a review in respect of certain accounting entries relating to the inventories of the Group as at 31 December 2019 ("Independent Review") and considered their findings.

We consider the PYAs made by management is a key audit matter because significant audit effort was spent in testing the completeness and accuracy of the PYAs, including the related underlying transactions and disclosures in the consolidated financial statements.

We inquired with management to obtain an understanding of the nature and circumstances that led to the PYAs and management's process in identifying such PYAs.

We evaluated the competence, capability, and objectivity of the Independent Consultant by considering their qualifications, relevant experience, and relationship with management. We obtained an understanding of the scope of work and the terms of engagement of the Independent Review. We, with the involvement of our internal specialist, reviewed the report of the Independent Review and met with the Independent Consultant to understand their work and the key findings, including the root causes of certain PYAs.

We considered the circumstances that led to the PYAs as identified by management and evaluated its implication to the audit.

We extended the size of our sample and tested consolidation journal entries, including those relating to inventories and other areas, made in the current year as well as those in prior years. We evaluated and tested the samples selected by obtaining explanation from management and checking to the supporting documents.

We checked the PYAs to supporting documents on a sample basis. We checked the appropriateness of the posting of the relevant journal entries that required adjustments to the related financial statement line items.

We also evaluated the appropriateness of the disclosures relating to PYAs in the consolidated financial statements.

Based on the procedures performed above, we found that the PYAs and the related disclosures were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 IFRSs 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

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. We report our opinion solely to you, as a body, 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism 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.

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.

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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 December 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	2020 S$'000	2019 S$'000 (Restated)
Revenue	7	**10,342**	9,609
Cost of sales	10	**(8,904)**	(7,518)
Gross profit		**1,438**	2,091
Other income	8	**35**	53
Other gains/(losses), net	9	**17**	(1)
Selling and distribution expenses	10	**(197)**	(184)
Administrative expenses	10	**(3,475)**	(2,185)
Research and development expenses for a mobile game	10	**(586)**	–
Operating loss		**(2,768)**	(226)
Finance income		**153**	197
Finance costs		**(97)**	(92)
Finance income, net	12	**56**	105
Loss before income tax		**(2,712)**	(121)
Income tax credit/(expense)	13	**113**	(279)
Loss for the year attributable to owners of the Company		**(2,599)**	(400)
Loss per share			
basic and diluted (Singapore cents)	14	**(0.26)**	(0.04)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 S$'000	2019 S$'000 (Restated)
Loss for the year	**(2,599)**	(400)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(67)**	1
Other comprehensive (loss)/income for the year, net of tax	**(67)**	1
Total comprehensive loss for the year attributable to owners of the Company	**(2,666)**	(399)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	**31/12/2020 S$'000**	31/12/2019 S$'000 (Restated)	1/1/2019 S$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	**14,160**	15,849	13,387
Right-of-use assets	17	**763**	541	602
Intangible assets	18	**46**	47	–
Prepayments		**–**	–	1,940
		14,969	16,437	15,929
Current assets				
Inventories	20	**842**	1,916	1,502
Trade and other receivables	21	**2,357**	2,089	2,537
Short-term and pledged deposits	22	**12,936**	12,491	10,174
Cash and cash equivalents	22	**10,602**	11,649	15,481
		26,737	28,145	29,694
Total assets		**41,706**	44,582	45,623
EQUITY				
Equity attributable to owners of the Company				
Share capital	24	**1,695**	1,695	1,695
Reserves	25	**20,945**	21,012	21,011
Retained earnings	25	**13,051**	15,650	16,050
Total equity		**35,691**	38,357	38,756

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	**31/12/2020 S$'000**	31/12/2019 S$'000 (Restated)	1/1/2019 S$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Borrowings	27	**221**	848	270
Lease liabilities	17	**802**	718	792
Deferred income tax liabilities	23	**1,257**	1,413	1,098
Provision for reinstatement cost	26	**83**	72	72
		2,363	3,051	2,232
Current liabilities				
Trade and other payables	26	**2,678**	2,096	2,756
Current income tax liabilities		**82**	117	823
Borrowings	27	**693**	827	485
Lease liabilities	17	**199**	74	71
Amount due to directors		**–**	60	500
		3,652	3,174	4,635
Total liabilities		**6,015**	6,225	6,867
Total equity and liabilities		**41,706**	44,582	45,623

The consolidated financial statements on pages 58 to 112 were approved by the Board of Directors on 8 December 2021 and were signed on its behalf.

Li Thet
Director

Toe Tiong Hock
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital S$'000 (Note 24)	Reserves S$'000 (Note 25)	Retained earnings S$'000	Total equity S$'000
Balance at 1 January 2019 as originally presented	1,695	21,191	16,767	39,653
Effect of adoption of IFRS16	–	–	(261)	(261)
Balance at 1 January 2019 as previously reported	1,695	21,191	16,506	39,392
Prior year adjustments (Note 3)	–	(180)	(456)	(636)
Balance at 1 January 2019 as restated	1,695	21,011	16,050	38,756
Comprehensive loss				
Profit for the year as previously reported	–	–	59	59
Prior year adjustments (Note 3)	–	–	(459)	(459)
Comprehensive loss as restated	–	–	(400)	(400)
Other comprehensive income				
Currency translation differences	–	1	–	1
Total comprehensive loss for the year	–	1	(400)	(399)
Balances at 31 December 2019 as restated	**1,695**	**21,012**	**15,650**	**38,357**
Balances as at 31 December 2019 as previously reported	**1,695**	**21,192**	**16,565**	**39,452**
Prior year adjustments (Note 3)	**–**	**(180)**	**(915)**	**(1,095)**
Balances as at 31 December 2019 as restated	**1,695**	**21,012**	**15,650**	**38,357**
Comprehensive loss				
Loss for the year	**–**	**–**	**(2,599)**	**(2,599)**
Other comprehensive loss				
Currency translation differences	**–**	**(67)**	**–**	**(67)**
Total comprehensive loss for the year	**–**	**(67)**	**(2,599)**	**(2,666)**
Balance at 31 December 2020	**1,695**	**20,945**	**13,051**	**35,691**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 S$'000	2019 S$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	28(a)	**643**	642
Income tax paid		**(89)**	(670)
Net cash generated from/(used in) operating activities		**554**	(28)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(305)**	(978)
Purchase of computer software		**(9)**	(48)
Proceeds from disposals of property, plant and equipment		**9**	10
Changes in short-term and pledged bank deposits		**(445)**	(2,317)
Interest received		**153**	197
Net cash used in investing activities		**(597)**	(3,136)
Cash flows from financing activities			
Payment of bank loan	28(b)	**(155)**	(149)
Payment of other banking facilities	28(b)	**(606)**	(413)
Principal payment of lease liabilities	28(b)	**(83)**	(71)
Interest paid		**(86)**	(92)
Net cash used in financing activities		**(930)**	(725)
Net decrease in cash and cash equivalents		**(973)**	(3,889)
Cash and cash equivalents at beginning of the year		**11,649**	15,481
Currency translation differences		**(74)**	57
Cash and cash equivalents at end of the year	22	**10,602**	11,649

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

FSM Holdings Limited ("the Company") and its subsidiaries (together, the "Group") are principally engaged in precision engineering, sheet metal fabrication and the development and distribution of an online mobile game. The Company was incorporated in the Cayman Islands with limited liabilities. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. 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 required management to exercise its judgement in the process of applying the Group's accounting policies. The area involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in Note 5.

(a) Amendments to standards adopted by the Group

The following amendments to existing standards are mandatory for the Group's financial year beginning on or before 1 January 2020 and have been adopted in the preparation of the consolidated financial statements.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39	Hedge Accounting amendment
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS16	COVID-19 Related Rent Concessions

The Group has early adopted Amendments to IFRS 16 "COVID-19 Related Rent Concessions" from 1 January 2020 in order to apply practical expedient on rent concession related to COVID-19 that is effective on or after 1 June 2020, and the impact of the adoption is S$34,000. Other than Amendments to IFRS 16, the adoption of other amendments to standards and improvement listed above did not have any material impact on the current period or any prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

The following new standards and amendment to existing standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2021
Annual Improvements Project (Amendments)	Annual Improvements to IFRSs 2018-2020	1 January 2022
IFRS 3, IAS 16 and IAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by IASB

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

2.2 Principles of consolidation

2.2.1 Subsidiaries

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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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, and the liabilities incurred to the former owners of the acquire 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 acquisition date.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation (Continued)

2.2.1 Subsidiaries (Continued)

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 equity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs. Acquisition-related costs are expenses as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

2.2.2 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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified Mr. Li Thet ("Mr. Li") and Mr. Toe Tiong Hock ("Mr. Toe") (2019: Mr. Toe and Ms. Wong Yet Lian ("Mrs. Toe")).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("functional currency"). The consolidated financial statements are presented in Singapore dollars ("S$"), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other gains/(losses)".

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on plant and equipment is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives, as follows:

Buildings	50 to 60 years
Plant and equipment	3 to 10 years
Office and computer equipment	3 to 10 years
Furniture and fittings	6 to 10 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 (Note 2.7).

Gains and losses on disposal are determined by comparing the proceeds with its carrying amount and are recognised within "other gains/(losses)" in the consolidated statement of profit or loss.

2.6 Intangible assets

The Group amortises its intangible assets, acquired computer software, with a limited useful life using the straight-line method over 1 to 6 years.

The computer software is a separately acquired computer software is shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses, if any.

2.7 Impairment of non-financial assets

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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in those to be measured at amortised cost.

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

(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, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those 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 consolidated statement of profit or loss and presented in "other gains/(losses)", together with foreign exchange gains and losses. Impairment losses are represented as separate line item in the consolidated 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.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 21 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There is also arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.10 Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of first-in, first out. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 90 days and therefore are all classified as current.

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 the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 4.1 for a description of the Group's impairment policies.

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 with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents. Short-term deposits that are viewed by the Group for investment purposes are not considered cash and cash equivalents by the Group.

2.13 Share capital

Ordinary shares are classified as equity. Increment costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the 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 consolidated statement of profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense and finance charges in respect of finance lease. They are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

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.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted by the end of the reporting period 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 if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund (for Singapore), Employee Provident Fund (for Malaysia) and Mandatory Provident Fund (for Hong Kong) on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(c) Employee leave entitlement

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

2.19 Provisions

Provisions 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 amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition

(i) Sale of goods

The Group manufactures and sells sheet metal to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's 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.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Processing services

The Group provides consigned processing services to the customers. Revenue from providing services is recognised over time during the period when the services are rendered. As the title right remains with customer during the rework process, the Group's performance creates or enhances an asset that the customer controls. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs the services. Hence, this points to an over time revenue recognition.

(iii) Revenue generated from sales of in-game virtual items

The Group develops, distributes and operates its own online mobile game using a Free-To-Play model. Players are able to download the mobile game for free from its third-party distribution platforms. Players may choose to enhance their game experience by purchasing any in-game virtual item.

Players purchase the Group's in-game virtual items ("Paying Players") through various distribution platforms. The distribution platforms collect the payment from the Paying Players and remit the cash to the Group net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and distribution platforms.

As the Group takes the primary responsibilities of game development and game distribution, including selecting distribution platforms, providing customer services, hosting game severs, and controlling game and service specifications and pricing, it considers itself as a principal in such arrangement. Accordingly, revenue is recognised on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer. The relevant service fees charged by the distribution platforms are recorded in cost of sales.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with potential dilutive ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all potential dilutive ordinary shares.

2.22 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.

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 a rate
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, and
- lease payments to be made unless reasonably certain extension options are also included in the measurement of the liability.

To determine the incremental borrowing rate, the Group uses readily observable amortising loan rate that is available to the individual lessee (through recent market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment, i.e. photocopiers.

2.23 Research and development expenses

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 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.

Government grants relating to Jobs Support Scheme are presented as a deduction against the related expense which is the employee benefit expenses, and other government grants (stay-home notice subsidy) are shown separately as "Other Income".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Interest income

Interest income on financial assets at amortised cost calculated using effective interest method is recognised in the consolidated statement of profit or loss as finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 PRIOR YEAR ADJUSTMENTS

During the course of preparing the consolidated financial statements for the year ended 31 December 2020, management discovered certain journal entries that required adjustments in relation to the comparative financial statements for the year ended 31 December 2019.

Management engaged an independent consultant ("Independent Consultant") to perform a review of the relevant accounting entries relating to the inventories of the Group as at 31 December 2019 ("Independent Review") and considered their findings.

The aggregated effect of the adjustments resulted in the restatement of the following financial statement line items in the previously issued consolidated financial statements:

	As previously reported S$'000	Adjustments S$'000 (1)	S$'000 (2)	S$'000 (3)	S$'000 (4)	As restated S$'000
Consolidated statement of comprehensive income for the year ended 31 December 2019 (extracted)						
Cost of Sales	6,844	639	–	35	–	7,518
Administrative expenses	2,289	–	(104)	–	–	2,185
Profit/(loss) before income tax	449	(639)	104	(35)	–	(121)
Income tax expense/(credit)	390	(111)	–	–	–	279
Profit/(loss) after income tax attributable to owners of the Company	59	(528)	104	(35)	–	(400)
Basic and fully diluted earnings/(loss) per share	0.01 cents	(0.05) cents	0.01 cents	(0.01) cents	–	(0.04) cents
Total comprehensive income/(loss) for the year attributable to owners of the Company	60	(528)	104	(35)	–	(399)

3 PRIOR YEAR ADJUSTMENTS (CONTINUED)

	As previously reported S$'000	Adjustments S$'000 (1)	S$'000 (2)	S$'000 (3)	S$'000 (4)	As restated S$'000
Consolidated statement of financial position – 31 December 2019 (extracted)						
Property, plant and equipment	15,828	–	–	21	–	15,849
Right-of-use assets	597	–	–	(56)	–	541
Inventories	2,990	(1,074)	–	–	–	1,916
Trade and other payables	2,142	155	(201)	–	–	2,096
Current income tax liabilities	85	32	–	–	–	117
Reserves	21,192	–	–	–	(180)	21,012
Retained earnings	16,565	(1,261)	201	(35)	180	15,650
Consolidated statement of financial position – 1 January 2019 (extracted)						
Inventories	1,937	(435)	–	–	–	1,502
Trade and other payables	2,698	155	(97)	–	–	2,756
Current income tax liabilities	680	143	–	–	–	823
Reserves	21,191	–	–	–	(180)	21,011
Retained earnings	16,506	(733)	97	–	180	16,050

1. Being adjustment on journal entries relating to inventories, including omission of reversal of certain journal entries made for the cost of inventories sold for the year ended 31 December 2018 and 31 December 2019, calculation differences of unrealised profit on inventories arising from sales between group companies and the related tax impact of these adjustments that resulted in:
   - An overstatement of inventories as at 31 December 2019 and 1 January 2019;
   - An understatement of trade and other payables as at 31 December 2019 and 1 January 2019;
   - An understatement of current income tax liabilities as at 31 December 2019 and 1 January 2019;
   - An overstatement of retained earnings as at 31 December 2019 and 1 January 2019;
   - An understatement of cost of sales for the year ended 31 December 2019; and
   - An overstatement of income tax expense for the year ended 31 December 2019.
2. Being adjustment on journal entries in relation to over accrual of administrative expenses that resulted in:
   - An overstatement of trade and other payable as at 31 December 2019 and 1 January 2019;
   - An understatement of retained earnings as at 31 December 2019 and 1 January 2019; and
   - An overstatement of administrative expenses for the year ended 31 December 2019.

3 PRIOR YEAR ADJUSTMENTS (CONTINUED)

3. Being adjustment on calculation differences of depreciation expenses for right-of-use assets and omission of an elimination entry in relation to disposal of property, plant and equipment between group companies that resulted in:

   - An overstatement of right-of-use assets as at 31 December 2019;
   - An understatement of property, plant and equipment as at 31 December 2019; and
   - An understatement of cost of sales for the year ended 31 December 2019.

4. Being adjustment on calculation differences of foreign currency translation on a foreign subsidiary that resulted in:

   - An overstatement of exchange reserve as at 31 December 2019 and 1 January 2019; and
   - An understatement of opening retained earnings as at 31 December 2019 and 1 January 2019.

Management recorded these journal entries as prior year adjustments as these entries relate to prior years and their aggregated effect is material to the consolidated financial statements for the year ended 31 December 2020.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

Risk management is carried out by the management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Singapore, Malaysia, Hong Kong and China with majority of the transactions settled in S$, United States Dollars ("US$"), Malaysian Ringgit ("MYR"), China Renminbi ("RMB") and Hong Kong Dollars ("HKD"). Management considers that the Group is exposed to foreign exchange risk, primarily US$, RMB and HKD. Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities denominated in a currency that is not the functional currency of the relevant group entity.

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Had S$ be strengthened/weakened by 2% for the year ended 31 December 2020 against US$ with all other variables held constant, the Group's post-tax results for the year would have been approximately S$258,000 lower/higher (2019: S$261,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of US$-denominated cash and cash equivalent, short-term and pledged bank deposits, trade and other receivables and trades and other payables.

Had S$ be strengthened/weakened by 2% for the year ended 31 December 2020 against RMB with all other variables held constant, the Group's post-tax results for the year would have been approximately S$6,000 lower/higher (2019: not applicable), mainly as a result of foreign exchange losses/gains on translation of RMB-denominated cash and cash equivalent, trade and other receivables and trades and other payables.

Had S$ be strengthened/weakened by 2% for the year ended 31 December 2020 against HKD with all other variables held constant, the Group's post-tax results for the year would have been approximately S$57,000 lower/higher (2019: S$94,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash and cash equivalent, trade and other receivables and trades and other payables.

(ii) Interest rate risk

The Group has no significant interest-bearing assets except for cash at bank, which earns low interest income. The Group's main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.

If interest rates on borrowings had fluctuated 200 basis points with all other variables held constant, the Group's post-tax results for the year ended 31 December 2020 would have been lowered by S$1,000 (2019: S$4,000).

(b) Credit risk

Credit risk arises from cash at bank, short-term and pledged bank deposits, contractual cash flows of debt instruments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with investment grade credit rating are accepted.

If customers are independently rated, these ratings are used. If there is no independent rating, risk control personnel assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Security

For some trade receivables, the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets

The trade receivables of the Group are subject to the expected credit loss model while cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the invoice date.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2020 or 1 January 2020 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 GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

According to above mentioned considerations, the Group does not expect any significant default possibility and loss allowance of trade receivables are immaterial.

Trade receivables 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 120 days past due. The receivable balance which past due more than 120 days is less than S$4,000 as at 31 December 2020 (2019: less than S$1,000), therefore the Group considers the risk of credit loss to be insignificant.

Impairment losses on trade receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents which are generated from internal operations and funding from the group companies.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
At 31 December 2020						
Trade and other payables	**–**	**2,678**	**–**	**–**	**–**	**2,678**
Borrowings	**67**	**644**	**223**	**–**	**–**	**934**
Lease liabilities	**–**	**242**	**297**	**371**	**350**	**1,260**
At 31 December 2019						
Trade and other payables (Restated)	–	2,096	–	–	–	2,096
Borrowings	222	644	643	223	–	1,732
Lease liabilities	–	114	117	378	462	1,071
Amount due to director	–	60	–	–	–	60
At 1 January 2019						
Trade and other payables (Restated)	–	2,756	–	–	–	2,756
Borrowings	371	124	124	155	–	774
Lease liabilities	–	110	114	365	596	1,185
Amount due to director	–	500	–	–	–	500

The table summarises the maturity analysis of the Group's bank loan with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates as follows:

	2020 S$'000	2019 S$'000
Within 1 year	**68**	164
Between 1 and 2 years	**–**	69
Between 2 and 5 years	**–**	–
	68	233

Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretions to demand immediate repayment. The Directors believe that such loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreement.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings and lease liabilities divided by total equity as shown in statement of financial position.

The gearing ratios as at 31 December 2020 and 2019 were as follows:

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)	1 January 2019 S$'000 (Restated)
Total borrowings and lease liabilities	**1,915**	2,467	1,618
Total equity	**35,691**	38,357	38,756
Gearing ratio	**5.4%**	6.4%	4.2%

4.3 Fair value estimation

The Group has no significant financial instruments other than trade and other receivables, trade and other payables, cash and cash equivalent, short-term deposits, pledged bank deposits, borrowings, lease liabilities and amount due to a director. The carrying amounts less impairment (where applicable) of these balances are a reasonable approximation of their fair values due to their short maturities.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continuously evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group 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.

(a) Estimated useful lives of property, plant and equipment

The Group's property, plant and equipment are depreciated based on their estimated useful lives and estimated residual values. The estimate is based on the expected utility of the asset to the Group and management experience in similar assets, and involve management's judgement. Actual economic lives may differ from estimated useful lives, and changes in measurement estimate could result in changes in depreciable lives and therefore depreciation expense in future periods.

(b) Assessment of recoverable amount of property, plant and equipment, right of use assets and intangible assets ("non-financial assets")

Property, plant and equipment, right-of-use assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists, management will perform an impairment assessment by comparing the carrying amount of the related non-financial assets against the recoverable amount. The recoverable amount is estimated based on the higher of value-in-use ("VIU") and fair value less costs to sell ("FVLCTS") calculations.

For the financial year ended 31 December 2020, based on management's impairment assessment, no impairment was required. The recoverable amount of the CGU was determined based on FVLCTS valuation model.

Management has performed a sensitivity analysis by assessing the impact to the headroom when certain key inputs change. Any reasonably possible changes to any of the individual key assumptions, being the the discount for lack of marketability and cost to sell would not have caused an impact to the loss before tax.

6 SEGMENT INFORMATION

(a) Description of segments and principal activities

The Chief Operating Decision Maker ("CODM"), including of Mr. Li and Mr. Toe, monitors the results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The CODM has identified two reportable segments of its business:

(i) Manufacturing business

Sheet metal fabrication with a focus on precision engineering and precision machining service.

(ii) Online business

Development, distribution and operation of online mobile games.

6 SEGMENT INFORMATION (CONTINUED)

(b) Segment (loss)/profit before income tax

	Year ended 31 December 2020		
	Manufacturing business S$'000	**Online business S$'000**	**Total S$'000**
Reportable segment revenue From external customers	**10,341**	**1**	**10,342**
Reportable segment results	**(759)**	**(1,197)**	**(1,956)**
Corporate income			**162**
Corporate expenses			**(918)**
Loss before income tax			**(2,712)**

	Year ended 31 December 2019		
	Manufacturing business S$'000 (Restated)	Online business S$'000	Total S$'000 (Restated)
Reportable segment revenue From external customers	9,609	–	9,609
Reportable segment results	365	–	365
Corporate income			–
Corporate expenses			(486)
Loss before income tax			(121)

6 SEGMENT INFORMATION (CONTINUED)

(c) Segment assets

Segment assets are measured in the same way as in the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)	1 January 2019 S$'000 (Restated)
Manufacturing business	**30,640**	32,247	45,434
Online games business	**826**	–	–
Total segment assets	**31,466**	32,247	45,434
Corporate assets	**10,240**	12,335	189
Total assets	**41,706**	44,582	45,623

The total of non-current assets, by location, is shown in the following:

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)
Singapore	**10,810**	12,503
Hong Kong	**290**	–
China	**73**	–
Malaysia	**3,796**	3,934
Total non-current assets	**14,969**	16,437

6 SEGMENT INFORMATION (CONTINUED)

(d) Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)	1 January 2019 S$'000 (Restated)
Manufacturing business	**3,812**	4,669	4,450
Online games business	**244**	–	–
Total segment liabilities	**4,056**	4,669	4,450
Corporate liabilities	**1,959**	1,556	2,417
Total liabilities	**6,015**	6,225	6,867

(e) Disaggregation of revenue from contracts with customers

The Group's revenue is mainly derived from sales to customers in Singapore. The amount of its revenue from external customers by location is shown in the following.

	2020 S$'000	2019 S$'000
Singapore	**10,341**	9,609
Other countries	**1**	–
	10,342	9,609

Information about major customers

For the year ended 31 December 2020, revenue generated from the top three customers accounted for approximately 87% (2019: approximately 96%) of the total revenue for the Group. Other individual customers accounted for less than 10% of revenue for the years ended 31 December 2020 and 2019.

	2020 S$'000	2019 S$'000
Customer A	**4,967**	7,978
Customer B	**2,911**	988
Customer C	**1,168**	266*

* The corresponding revenue did not contribute over 10% of total revenue of the Group for the year ended 31 December 2019

7 REVENUE

Revenue from sale of manufactured sheet metal, rendering of services and sale of in-game virtual items recognised during the years are as follows:

	2020 S$'000	2019 S$'000
Sale of goods	**10,174**	9,427
Processing services	**167**	182
Sale of in-game virtual items	**1**	–
	10,342	9,609

8 OTHER INCOME

	2020 S$'000	2019 S$'000
Government grant	**2**	19
Scrap sales	**33**	22
Others	**–**	12
	35	53

9 OTHER GAINS/(LOSSES), NET

	2020 S$'000	2019 S$'000
Foreign exchange gains/(losses)	**53**	(1)
Loss on disposal of property, plant and equipment	**(1)**	–
Others	**(35)**	–
	17	(1)

10 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and research and development expenses for a mobile game are analysed as follows:

	2020 S$'000	2019 S$'000 (Restated)
Cost of inventories sold, including subcontractor fees and provision for inventory (Note 20)	4,440	2,972
Employee benefit expenses (including directors' emoluments) (Note 11)	3,887	2,930
Depreciation charge for property, plant and equipment (Note 16)	2,025	1,928
Depreciation charge for right-of-use assets (Note 17)	70	61
Amortisation of intangible assets (Note 18)	10	1
Operating lease expense in respect of short-term leases (Note 17)	178	46
Utilities expenses	264	269
Repair and maintenance of property, plant and equipment	293	333
Freight expenses	40	133
Auditor's remuneration		
– Audit services	292	257
– Non-audit services	–	50
Legal and professional fee	558	305
Professional fees relating to general offer	–	194
Research and development expenses for a mobile game	586	–
Others	519	408
	13,162	9,887
Represented by:		
Cost of sales	8,904	7,518
Selling and distribution expenses	197	184
Administrative expenses	3,475	2,185
Research and development expenses for a mobile game	586	–
	13,162	9,887

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 S$'000	2019 S$'000
Wages, salaries and allowances	**3,636**	2,641
Defined contribution plans	**187**	231
Others	**64**	58
	3,887	2,930

For Singapore subsidiaries, grant income of S$320,000 (2019: Nil) was deducted against employee benefit expenses during the financial year under the Jobs Support Scheme (the "JSS"). The JSS is a temporary COVID-19 related scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees. For China and Hong Kong subsidiaries, they were not entitled to any local COVID-19 government subsidy.

(a) Five highest paid individuals

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

	2020 S$'000	2019 S$'000
Wages, salaries and allowances	**247**	228
Defined contribution plans	**16**	41
	263	269

The emoluments fell within the following emoluments bands:

	Number of individuals	
	2020	2019
HK$500,001 to HK$1,000,000 (equivalent to S$85,101 to S$170,200)	**1**	3
HK$1,000,001 to HK$1,500,000 (equivalent to S$170,201 to S$256,000)	**1**	–
	2	3

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

12 FINANCE INCOME, NET

	2020 S$'000	2019 S$'000
Finance income		
Bank deposits	**153**	197
Finance costs		
Bank loan	**(8)**	(14)
Other banking facilities	**(37)**	(39)
Lease liabilities	**(41)**	(39)
Reinstatement costs	**(11)**	–
	(97)	(92)
Finance income, net	**56**	105

13 INCOME TAX (CREDIT)/EXPENSE

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

	2020 S$'000	2019 S$'000 (Restated)
Current income tax	**104**	71
Deferred income tax (Note 23)	**(112)**	315
Over-provision in prior years:		
Current income tax	**(50)**	(107)
Deferred income tax (Note 23)	**(55)**	–
Income tax (credit)/expense	**(113)**	279

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

	2020 S$'000	2019 S$'000 (Restated)
Loss before income tax	**(2,712)**	(121)
Tax calculated at tax rate of 17% (2019: 17%)	**(461)**	(21)
Different tax rates in other countries	**(19)**	5
Over-provision in prior years	**(105)**	(107)
Income not subject to tax	**(88)**	(31)
Expenses not deductible for tax purposes	**92**	466
Unutilised tax losses not recognised	**485**	–
Tax incentive	**–**	(16)
Partial tax exemption	**(17)**	(17)
Income tax (credit)/expense	**(113)**	279

13 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(a) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the years ended 31 December 2020 and 2019.

(b) Singapore corporate income tax

Singapore corporate income tax is calculated at the rate of 17% on the chargeable income of the subsidiaries incorporated in Singapore in accordance with Singapore Income Tax Act during the year ended 31 December 2020 (2019: 17%).

(c) Malaysia corporate income tax

Malaysia corporate income tax is calculated at the rate of 24% on the chargeable income of the subsidiaries incorporated in Malaysia in accordance with Malaysia Income Tax Act during the year ended 31 December 2020 (2019: 24%).

(d) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the year ended 31 December 2020 (2019: 16.5%). The Group's subsidiaries incorporated in Hong Kong have not provided any Hong Kong profits tax as there were no assessable profits arising in and derived from Hong Kong for the year ended 31 December 2020 (2019: Nil).

(e) Mainland China corporate income tax

Mainland China corporate income tax rate is 25% for the year ended 31 December 2020. During the year, two subsidiaries were newly incorporated in Mainland China, which are not provided for the Mainland China corporate income tax as there were no assessable profits arising in and derived from Mainland China for the year ended 31 December 2020.

Notes:

(1) Tax incentive for the year ended 31 December 2020 related to tax deduction for donations by the Singapore Tax Authority which allows entities to claim 250% tax deduction on qualifying donations.

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

(2) In Singapore, partial tax exemption relates to 75% tax exemption of the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$190,000 of normal chargeable income for the years ended 31 December 2020 and 2019.

14 LOSS PER SHARE

(a) Basic

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

	2020	2019 (Restated)
Loss attributable to owners of the Company (S$'000)	**(2,599)**	(400)
Weighted average number of ordinary shares in issue (thousand)	**1,000,000**	1,000,000
Basic loss per share (Singapore cents)	**(0.26)**	(0.04)

(b) Diluted

For the years ended 31 December 2020 and 2019, diluted loss per share equals basic loss per share as there was no potential dilutive shares.

15 SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2020 are as follows:

Name of subsidiaries	Place and date of incorporation	Particulars of issued share capital	Equity interest attributable to the Group	Principal activities
FSM Singapore Limited	BVI, 1 March 2018	1 share of US$1 each	100%	Investment holding
FSM Malaysia Limited	BVI, 1 March 2018	1 share of US$1 each	100%	Investment holding
Concept Planet Limited	BVI, 26 November 2019	1 share of US$1 each	100%	Investment holding
Bliss Wise Limited*	BVI, 28 February 2020	1 share of US$1 each	100%	Investment holding
Lucky Well Global Limited*	BVI, 3 March 2020	1 share of US$1 each	100%	Investment holding
Raising Star Global Limited*	BVI, 12 March 2020	1 share of US$1 each	100%	Investment holding

15 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation	Particulars of issued share capital	Equity interest attributable to the Group	Principal activities
Fine Sheetmetal Technologies Pte Ltd	Singapore, 1 August 1980	1,200,000 shares of S$1 each	100%	Sheet metal fabrication with a focus on precision engineering and precision machining service
FSM Technology Pte Ltd	Singapore, 10 July 1997	500,000 shares of S$1 each	100%	Sheet metal fabrication with a focus on precision engineering
FSM Manufacturing Solution Pte Ltd	Singapore, 6 February 2001	100,000 shares of S$1 each	100%	Dormant
Evercoat Technology Pte Ltd	Singapore, 7 June 1996	300,000 shares of S$1 each	100%	Provision of post-treatment process
FSM Manufacturing Solutions Sdn Bhd	Malaysia, 26 January 2014	500,000 shares of RM1 each	100%	Handling of internal human resources and administrative matters
FSM Technologies (M) Sdn Bhd	Malaysia, 9 November 2000	1,000,000 shares of RM1 each	100%	Sheet metal fabrication with a focus on precision engineering
Concept Planet (HK) Limited	Hong Kong, 31 December 2019	1 share of HK$1 each	100%	Investment holding
Silver Prosper International Limited*	Hong Kong, 13 March 2020	1 share of HK$1 each	100%	Investment holding
Sky Genius Investments Limited*	Hong Kong, 21 February 2020	1 share of HK$1 each	100%	Investment holding
Star Max Development Limited*	Hong Kong, 6 March 2020	1 share of HK$1 each	100%	Operation of an online mobile game
北京初心跳動科技有限公司*	China, 17 June 2020	RMB3,000,000	100%	Development of an online mobile game
廣州湯米網路科技有限公司*	China, 28 June 2020	RMB5,000,000	100%	Investment holding

* Subsidiaries newly incorporated during the year ended 31 December 2020.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings S$'000	Plant and equipment S$'000	Office and computer equipment S$'000	Furniture and fittings S$'000	Total S$'000
As at 1 January 2019					
Cost	10,829	14,995	1,189	829	27,842
Accumulated depreciation	(2,835)	(9,912)	(1,031)	(677)	(14,455)
Net book value	7,994	5,083	158	152	13,387
Year ended 31 December 2019					
Opening net book amount	7,994	5,083	158	152	13,387
Additions	2,319	2,025	56	–	4,400
Disposals	–	(8)	–	(2)	(10)
Depreciation (restated) (Note 10)	(285)	(1,505)	(111)	(27)	(1,928)
Closing net book amount (restated)	10,028	5,595	103	123	15,849
As at 31 December 2019					
Cost	13,143	16,911	1,200	816	32,070
Accumulated depreciation as previously reported	(3,115)	(11,337)	(1,097)	(693)	(16,242)
Prior year adjustment (Note 3)	–	21	–	–	21
Accumulated depreciation (restated)	(3,115)	(11,316)	(1,097)	(693)	(16,221)
Net book value (restated)	10,028	5,595	103	123	15,849
Year ended 31 December 2020					
Opening net book amount	**10,028**	**5,595**	**103**	**123**	**15,849**
Additions	**5**	**40**	**260**	**–**	**305**
Disposals	**–**	**(10)**	**–**	**–**	**(10)**
Depreciation (Note 10)	**(276)**	**(1,601)**	**(127)**	**(21)**	**(2,025)**
Transfers	**–**	**–**	**39**	**(39)**	**–**
Currency translation differences	**14**	**14**	**16**	**(3)**	**41**
Closing net book amount	**9,771**	**4,038**	**291**	**60**	**14,160**
As at 31 December 2020					
Cost	**13,166**	**16,358**	**1,524**	**579**	**31,627**
Accumulated depreciation	**(3,395)**	**(12,320)**	**(1,233)**	**(519)**	**(17,467)**
Net book value	**9,771**	**4,038**	**291**	**60**	**14,160**

Note:

(i) At 31 December 2020, machinery of S$847,000 was secured by other banking facilities (2019: machinery S$1,453,000).

Notes to the Consolidated Financial Statements

17 LEASES

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

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 S$'000	2019 S$'000 (Restated)
Right-of-use assets		
Land and office	**763**	541
Lease liabilities		
Current	**199**	74
Non-current	**802**	718
	1,001	792

Addition to the right-of-use assets during the year ended 31 December 2020 was S$292,000 (2019: Nil).

(ii) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2020 S$'000	2019 S$'000 (Restated)
Depreciation charge for right-of-use assets (Note 10)	**(70)**	(61)
Interest expenses (Note 12)	**(41)**	(39)
Expenses relating to short-term leases (Note 10)	**(178)**	(46)

The total cash outflow for leases in 2020 was S$302,000 (2019: S$156,000).

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

The Group rents land from the Singapore Government and an office space from a non-related party in Hong Kong. Land rental contracts are typically made for fixed periods of 20 to 30 years but may have extension options as described in note (iv). Office rental contract is made for a period of 2.5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(iv) Extension and termination options

Extension and termination options are included in the land leases and termination option is included in the office lease. The terms are used to maximise operational flexibility in terms of managing contracts.

18 INTANGIBLE ASSETS

	Computer software S$'000
As at 1 January 2019	
Cost	–
Accumulated depreciation	–
Net book value	–
Year ended 31 December 2019	
Opening net book amount	–
Additions	48
Depreciation (Note 10)	(1)
Closing net book amount	47
As at 31 December 2019	
Cost	48
Accumulated depreciation	(1)
Net book value	47
Year ended 31 December 2020	
Opening net book amount	**47**
Additions	**9**
Depreciation (Note 10)	**(10)**
Closing net book amount	**46**
As at 31 December 2020	
Cost	**57**
Accumulated depreciation	**(11)**
Net book value	**46**

19 FINANCIAL INSTRUMENTS BY CATEGORY

	31 December 2020 S$'000	31 December 2019 S$'000
Financial assets measured at amortised cost		
– Trade and other receivables	**2,214**	2,016
– Short-term and pledged deposits	**12,936**	12,491
– Cash and cash equivalents	**10,602**	11,649
	25,752	26,156

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)	1 January 2019 S$'000 (Restated)
Financial liabilities measured at amortised cost			
– Trade and other payables	**2,678**	2,096	2,756
– Borrowings	**914**	1,675	755
– Lease liabilities	**1,001**	792	863
– Amount due to directors	**–**	60	500
	4,593	4,623	4,874

20 INVENTORIES

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)	1 January 2019 S$'000 (Restated)
Raw materials	**576**	630	928
Work in progress	**264**	268	202
Finished goods	**283**	1,018	372
	1,123	1,916	1,502
Provision for inventory	**(281)**	–	–
	842	1,916	1,502

The cost of inventories sold, expensed and included in cost of sales amounted to S$4,440,000 for the year ended 31 December 2020 (2019: S$2,972,000). During the year, the Group has provided provision for inventory amounted to S$281,000 (2019: Nil) which included in cost of inventories sold.

21 TRADE AND OTHER RECEIVABLES

	2020 S$'000	2019 S$'000
Trade receivables	**2,004**	1,917
Less: loss allowance	**–**	–
Trade receivables, net	**2,004**	1,917
Prepayments	**143**	73
Deposits	**160**	87
Other receivables	**50**	12
	2,357	2,089

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

	2020 S$'000	2019 S$'000
0 to 30 days	**1,089**	1,153
31 to 60 days	**833**	305
61 to 90 days	**48**	455
Over 90 days	**34**	4
	2,004	1,917

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance for trade receivables as at 31 December 2020 and 2019 were immaterial.

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2020 S$'000	2019 S$'000
United States dollars	**864**	441
Singapore dollars	**1,276**	1,609
Renminbi	**126**	–
Malaysia ringgit	**71**	39
Hong Kong dollars	**20**	–
	2,357	2,089

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

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

22 CASH AND CASH EQUIVALENTS AND SHORT-TERM AND PLEDGED BANK DEPOSITS

	2020 S$'000	2019 S$'000
Pledged bank deposits	**712**	711
Short-term bank deposits	**12,224**	11,780
	12,936	12,491
Cash at banks	**10,602**	11,649
	23,538	24,140

The maximum exposure to credit risk at the end of the reporting period is the book carrying value of cash at banks.

Cash at banks earns interest income at floating rates based on daily bank deposit rates. Short-term and pledged bank deposits as at 31 December 2020 bear interests at an average rate of 1.19% (2019: 1.93%) per annum.

Bank deposits are pledged in relation to the security granted to certain borrowings (Note 27).

22 CASH AND CASH EQUIVALENTS AND SHORT-TERM AND PLEDGED BANK DEPOSITS (CONTINUED)

The Group's cash and cash equivalents and short-term and pledged deposits are denominated in the following currencies:

	2020 S$'000	2019 S$'000
United States dollars	**14,729**	15,291
Singapore dollars	**4,719**	2,996
Renminbi	**400**	–
Malaysia ringgit	**202**	202
Japanese yen	**3**	3
Hong Kong dollars	**3,485**	5,648
	23,538	24,140

23 DEFERRED INCOME TAX

	2020 S$'000	2019 S$'000
Deferred income tax liabilities	**1,257**	1,413

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

	Accelerated tax depreciation	
	2020 S$'000	2019 S$'000
Deferred income tax liabilities		
Beginning of the year	**1,413**	1,098
(Credited)/charged to the consolidated statements of profit or loss (Note 13)	**(112)**	315
Over-provision in prior years	**(55)**	–
Translation differences	**11**	–
End of the year	**1,257**	1,413

23 DEFERRED INCOME TAX (CONTINUED)

The expiry of unrecognised tax losses are as follows:

	2020 S$'000	2019 S$'000
Tax losses expiring in 5 years	9	–
Tax losses expiring after 5 years	290	–
Tax losses without expiry date	2,518	–
At 31 December	2,817	–

As at 31 December 2020, the Group did not recognise deferred income tax assets of S$485,000 (2019: Nil) in respect of the above tax losses amounted to S$2,817,000 (2019: Nil).

The Group has no unremitted earnings in PRC entities, thus there was no unrecognised withholding tax as at 31 December 2020.

24 SHARE CAPITAL

	Number of shares	Share capital S$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2019 and 31 December 2020	2,000,000,000	3,390
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 December 2019 and 31 December 2020	1,000,000,000	1,695

25 RESERVES

	Share premium S$'000	Merger reserve S$'000	Exchange reserve S$'000 (Restated)	Retained earnings S$'000 (Restated)	Total S$'000
Balance at 1 January 2019 as originally presented	18,605	2,594	(8)	16,767	37,958
Effect of adoption of IFRS 16	–	–	–	(261)	(261)
Balance at 1 January 2019 as previously reported	18,605	2,594	(8)	16,506	37,697
Prior year adjustments (Note 3)	–	–	(180)	(456)	(636)
Balance at 1 January 2019 as restated	18,605	2,594	(188)	16,050	37,061
Comprehensive loss					
Profit for the year as previously reported	–	–	–	59	59
Prior year adjustments (Note 3)	–	–	–	(459)	(459)
Comprehensive loss as restated	–	–	–	(400)	(400)
Other comprehensive income					
Currency translation differences	–	–	1	–	1
Total comprehensive loss for the year, as restated	–	–	1	(400)	(399)
Balances as at 31 December 2019 as restated	18,605	2,594	(187)	15,650	36,662
Balances as at 31 December 2019 as previously reported	**18,605**	**2,594**	**(7)**	**16,565**	**37,757**
Prior year adjustments (Note 3)	**–**	**–**	**(180)**	**(915)**	**(1,095)**
Balances as at 31 December 2019 as restated	**18,605**	**2,594**	**(187)**	**15,650**	**36,662**
Comprehensive loss					
Loss for the year	**–**	**–**	**–**	**(2,599)**	**(2,599)**
Other comprehensive loss					
Currency translation differences	**–**	**–**	**(67)**	**–**	**(67)**
Total comprehensive loss for the year	**–**	**–**	**(67)**	**(2,599)**	**(2,666)**
Balance at 31 December 2020	**18,605**	**2,594**	**(254)**	**13,051**	**33,996**

26 TRADE AND OTHER PAYABLES AND PROVISION FOR REINSTATEMENT COST

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)	1 January 2019 S$'000 (Restated)
Non-current			
Provision for reinstatement cost	**83**	72	72
Current			
Trade payables	**1,044**	1,022	1,109
Other payables and accruals			
– Accrued expenses	**1,530**	864	777
– Others	**104**	210	870
	2,678	2,096	2,756
Total	**2,761**	2,168	2,828

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

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)	1 January 2019 S$'000 (Restated)
0 to 30 days	**426**	368	334
31 to 60 days	**269**	270	402
61 to 90 days	**140**	143	144
Over 90 days	**209**	241	229
	1,044	1,022	1,109

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

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

	31 December 2020 S$'000	31 December 2019 S$'000 (Restated)	1 January 2019 S$'000 (Restated)
US dollars	**62**	13	384
Singapore dollars	**1,936**	1,106	2,162
Renminbi	**142**	–	–
Malaysia ringgit	**461**	977	210
Hong Kong dollars	**77**	–	–
	2,678	2,096	2,756

27 BORROWINGS

	2020 S$'000	2019 S$'000
Bank loan	67	222
Other banking facilities	847	1,453
Total borrowings	914	1,675
Of which		
Current liabilities	693	827
Non-current liabilities	221	848
	914	1,675

Repayment schedules of the Group's bank loan repayable are as follows:

	2020 S$'000	2019 S$'000
Within 1 year	67	222
Between 1 and 2 years	–	–
Between 2 and 5 years	–	–
	67	222

Repayment schedules of the Group's other banking facilities are as follows:

	2020 S$'000	2019 S$'000
Within 1 year	626	605
Between 1 and 2 years	221	626
Between 2 and 5 years	–	222
	847	1,453

27 BORROWINGS (CONTINUED)

The average effective interest rates per annum were set out as follows:

	2020	2019
Bank loan	**4.02%**	4.71%
Other banking facilities	**3.23%**	3.42%

The carrying amounts of the Group's borrowings approximate their fair values and are denominated in S$.

Other banking facilities represent the financing arrangements between the Group and banks for the acquisition of machinery during the year ended 31 December 2019 and 31 December 2020.

The bank loan is secured by corporate guarantee provided by the Company, pledged bank deposits of S$712,000 (2019: $711,000) and legal charges of two properties held by the Group in 12 Tuas Link 1 Singapore 638595 and 15 Tuas South Street 1 Singapore 638064, with total carrying amount of S$6,662,000 as at 31 December 2020 (2019: S$6,900,000), while the other banking facilities were secured by the machinery.

In addition to the above, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

28 CASH FLOW INFORMATION

(a) Cash generated from operations

	2020 S$'000	2019 S$'000 (Restated)
Loss before income tax	**(2,712)**	(121)
Adjustments for:		
Amortisation of intangible assets (Note 10)	**10**	1
Depreciation charge for property, plant and equipment and right-of-use assets (Note 10)	**2,095**	1,989
Finance costs (Note 12)	**97**	92
Finance income (Note 12)	**(153)**	(197)
Loss on disposal of property, plant and equipment (Note 9)	**1**	–
Provision for inventory	**281**	–
Unrealised foreign exchange gains	**(23)**	(56)
Operating (loss)/profit before working capital changes	**(404)**	1,708
Changes in working capital:		
– inventories	**793**	(414)
– trade and other receivables	**(268)**	448
– trade and other payables	**582**	(660)
– amount due to a director	**(60)**	(440)
Cash generated from operations	**643**	642

28 CASH FLOW INFORMATION (CONTINUED)

(b) Liabilities from financing activities

	Bank loan S$'000	Other banking facilities S$'000	Lease liabilities S$'000
As at 31 December 2018	371	384	–
Recognised on adoption of IFRS 16	–	–	863
As at 1 January 2019	371	384	863
Additions (Note (i))	–	1,482	–
Cash flows – principal elements	(149)	(413)	(71)
Cash flows – interest elements	(14)	(39)	(39)
Interest expenses (Note 12)	14	39	39
As at 31 December 2019	222	1,453	792
Additions (Note 17(i))	–	–	292
Cash flows – principal elements	(155)	(606)	(83)
Cash flows – interest elements	(8)	(37)	(41)
Interest expenses (Note 12)	8	37	41
Liabilities from financing activities at 31 December 2020	67	847	1,001

Note:

(i) The acquisition of machinery by other banking facilities arrangement in 2019 of S$1,482,000 was a non-cash transaction.

29 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. 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.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Names and relationships with related parties (Continued)

The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended 31 December 2020 and 2019:

Name of related parties	Relationship with the Group
Mr. Toe	Director (2019: Director)
Mrs. Toe	Spouse of Mr. Toe (2019: Director)
Mr. Kyson Toe	Child of Mr. Toe (2019: Child of director)
Ms. Toe Yun Xu	Child of Mr. Toe (2019: Child of director)
Ms. Toh Yun Han	Child of Mr. Toe (2019: Child of director)

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years ended 31 December 2020 and 2019.

(b) Transactions with related parties

	2020 S$'000	2019 S$'000
Emolument payable or paid to		
– Children of the directors for the services to the Group	**203**	203

(c) Transactions with the directors

	2020 S$'000	2019 S$'000 (Restated)
Repayments to the directors	**(60)**	(440)

(d) Key management compensation

The executive directors of the Group are regarded as key management. Details of the key management compensation are disclosed in Note 31(a) to the consolidated financial statements.

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2020 S$'000	As at 31 December 2019 S$'000
ASSETS			
Non-current asset			
Right-of-use assets		**282**	–
Investment in subsidiaries	15	**44,915**	44,915
		45,197	44,915
Current assets			
Amount due from subsidiaries		**4,833**	3,193
Prepayments		**32**	26
Short-term bank deposits		**9,568**	11,780
Cash and cash equivalents		**349**	529
		14,782	15,528
Total assets		**59,979**	60,443
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,695**	1,695
Reserves	(a)	**63,498**	63,498
Accumulated losses	(a)	**(5,727)**	(4,879)
Total equity		**59,466**	60,314
Non-current liabilities			
Lease liabilities		**170**	–
Current liabilities			
Accruals		**230**	129
Lease liabilities		**113**	–
		343	129
Total liabilities		**513**	129
Total equity and liabilities		**59,979**	60,443

The statement of financial position of the Company was approved by the Board of Directors on 8 December 2021 and was signed on its behalf.

Li Thet
Director

Toe Tiong Hock
Director

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a): Reserve movement of the Company

	Share premium S$'000	Contributed surplus S$'000	Accumulated losses S$'000	Total S$'000
Balances at 1 January 2019	18,605	44,893	(4,289)	59,209
Total comprehensive loss				
Loss for the year	–	–	(590)	(590)
Balances at 31 December 2019 and 1 January 2020	**18,605**	**44,893**	**(4,879)**	**58,619**
Total comprehensive loss				
Loss for the year	**–**	**–**	**(848)**	**(848)**
Balances at 31 December 2020	**18,605**	**44,893**	**(5,727)**	**57,771**

As at 31 December 2020 and 2019, the Company has authorised share capital of HK$20,000,000, divided into 2,000,000,000 shares of HK$0.01 each.

31 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remunerations of the directors for the years ended 31 December 2020 and 2019 are set out below:

	Fee S$'000	Salaries S$'000	Other allowances and benefits in kind S$'000	Discretionary bonuses S$'000	Defined contribution pension costs S$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking S$'000	Total S$'000
For the year ended 31 December 2020							
Executive directors							
Mr. Li *(Chairman)* (Note (iv))	–	155	–	–	2	–	157
Mr. Toe *(CEO)* (Note (iii))	–	299	–	200	17	–	516
Mrs. Toe (Note (i))	–	217	–	100	13	–	330
Ms. Lim Siew Choo (Note (i))	–	23	–	–	3	–	26
Independent non-executive directors							
Mr. Bau Siu Fung	21	–	–	–	–	–	21
Mr. Ng Hung Fai Myron (Note (ii))	6	–	–	–	–	–	6
Prof. Pong Kam Keung (Note (ii))	6	–	–	–	–	–	6
Mr. Lau Chun Ho Edward (Note (v))	31	–	–	–	–	–	31
Mr. Wong Po Keung (Note (v))	16	–	–	–	–	–	16
	80	694	–	300	35	–	1,109
For the year ended 31 December 2019							
Executive directors							
Mr. Toe *(Chairman & CEO)*	–	330	–	–	18	–	348
Mrs. Toe	–	250	–	–	14	–	264
Ms. Lim Siew Choo	–	22	–	–	3	–	25
Independent non-executive directors							
Mr. Bau Siu Fung	21	–	–	–	–	–	21
Mr. Ng Hung Fai Myron	21	–	–	–	–	–	21
Prof. Pong Kam Keung	21	–	–	–	–	–	21
	63	602	–	–	35	–	700

31 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) Mrs. Toe and Ms. Lim Siew Choo resigned as executive directors of the Company on 8 April 2020.

(ii) Mr. Ng Hung Fai Myron and Prof. Pong Kam Keung resigned as independent non-executive directors of the Company on 8 April 2020.

(iii) Mr. Toe ceased to act as the chairman of the Board on 8 April 2020.

(iv) Mr. Li was appointed as executive directors and chairman of the Board on 8 April 2020.

(v) Mr. Wong Po Keung and Mr. Lau Chun Ho Edward were appointed as independent non-executive directors of the Company on 8 April 2020.

There was no arrangement under which a director has waived or agreed to waive any emolument during the years.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Company or operating subsidiaries and no directors waived or agreed to waive any emolument during each of the years ended 31 December 2020 and 2019.

(b) Directors' retirement and termination 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 during the year ended 31 December 2020 (2019: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 December 2020 (2019: Nil).

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

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended 31 December 2020 (2019: Nil).

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

Save as disclosed in Note 29, there were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2020 (2019: Nil).

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

Save as disclosed in the Note 29, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group 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 ended 31 December 2020 (2019: Nil).

Summary of Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published consolidated financial statements, is set out as below:

	2020 **S$'000**	2019 S$'000 (Restated)	2018 S$'000 (Restated)	2017 S$'000	2016 S$'000
Revenue	**10,342**	9,609	19,848	20,791	12,598
Cost of sales	**(8,904)**	(7,518)	(11,830)	(12,215)	(8,561)
Gross profit	**1,438**	2,091	8,018	8,576	4,037
Other income	**35**	53	55	92	115
Other gains/(losses), net	**17**	(1)	(38)	(100)	254
Selling and distribution expenses	**(197)**	(184)	(209)	(244)	(212)
Administrative expenses	**(3,475)**	(2,185)	(5,378)	(1,823)	(1,530)
Research and development expenses for a mobile game	**(586)**	–	–	–	–
Operating (loss)/profit	**(2,768)**	(226)	2,448	6,501	2,664
Finance income	**153**	197	59	–	1
Finance costs	**(97)**	(92)	(50)	(39)	(61)
Finance income/(costs), net	**56**	105	9	(39)	(60)
(Loss)/profit before income tax	**(2,712)**	(121)	2,457	6,462	2,604
Income tax (credit)/expense	**113**	(279)	(1,041)	(324)	(360)
(Loss)/profit for the year attributable to owners of the Company	**(2,599)**	(400)	1,416	6,138	2,244
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences	**(67)**	1	(20)	15	39
Total comprehensive (loss)/income for the year attributable to owners of the Company	**(2,666)**	(399)	1,396	6,153	2,283

Summary of Financial Information

	2020 S$'000	2019 S$'000 (Restated)	2018 S$'000 (Restated)	2017 S$'000	2016 S$'000
ASSETS AND LIABILITIES					
Non-current assets	**14,969**	16,437	15,327	13,969	10,253
Current assets	**26,737**	28,145	29,694	13,555	13,567
Total assets	**41,706**	44,582	45,021	27,524	23,820
Non-current liabilities	**2,363**	3,051	1,440	1,058	1,183
Current liabilities	**3,652**	3,174	4,564	9,145	4,681
Total liabilities	**6,015**	6,225	6,004	10,203	5,864
Total equity	**35,691**	38,357	39,017	17,321	17,956

Note 1: The summary above does not form part of the audited consolidated financial statements.

Note 2: As a result of the adoption of IFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.