FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1721

ANNUAL REPORT 2023

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Thet *(Chairman)*
Mr. Toe Tiong Hock *(Chief Executive Officer)*

Independent Non-Executive Directors

Mr. Bau Siu Fung
Mr. Wong Po Keung
Mr. Lau Chun Ho Edward

AUDIT COMMITTEE

Mr. Bau Siu Fung *(Chairman)*
Mr. Wong Po Keung
Mr. Lau Chun Ho Edward

REMUNERATION COMMITTEE

Mr. Wong Po Keung *(Chairman)*
Mr. Li Thet
Mr. Bau Siu Fung
Mr. Lau Chun Ho Edward

NOMINATION COMMITTEE

Mr. Li Thet *(Chairman)*
Mr. Wong Po Keung
Mr. Lau Chun Ho Edward

COMPANY SECRETARY

Mr. Yip Kit Chau

AUTHORISED REPRESENTATIVES

Mr. Li Thet
Mr. Yip Kit Chau

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room R125, 3/F., Eton Tower
8 Hysan Avenue, Causeway Bay
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
17/F, Far East Finance Centre
16 Harcourt Road
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 2023 ("FY2023").

PERFORMANCE REVIEW

In FY2023, the Group recorded total revenue of approximately S$16.1 million, representing a decrease of approximately S$7.2 million from approximately S$23.3 million for the financial year ended 31 December 2022 ("FY2022"). The decrease in revenue was mainly due to decrease in sales orders of the manufacturing business as a result of the decrease in market demand in the Singapore sheet metal fabrication industry in FY2023. The decline was in line with the 4.3% contraction experienced across various clusters in Singapore's manufacturing sector in 2023. The overall gross profit decreased by approximately S$4.8 million from approximately S$10.7 million for FY2022 to approximately S$5.9 million for FY2023. Such decrease was mainly due to (i) the decrease in revenue from the manufacturing business; and (ii) the insensitivity of certain production overheads which were generally fixed in nature and did not decrease in line with the decrease in revenue.

The Group recorded loss for the year attributable to owners of the Company ("Net Loss") of approximately S$4.9 million for FY2023 (FY2022: profit for the year attributable to owners of the Company ("Net Profit") of approximately S$2.1 million). The change from Net Profit to Net Loss for FY2023 was mainly due to (i) the decrease in revenue and gross profit in our manufacturing business; and (ii) the increase in the research and development expenses in our online business.

OUTLOOK

The International Monetary Fund projected the global economy to grow at 3.1% for the year of 2024 according to their January 2024 review. In 2024, there are still many uncertainties affecting the global economy, including persistence of core inflation, commodity price spikes due to conflict in Gaza and Israel, and ongoing war in Ukraine. Also, in part as a result of troubled real estate problems, China's economy may face various challenges which may cause negative impacts on domestic growth and trading partners.

The Group will persistently implement outreach strategies in our manufacturing business to nurture relationships with current and prospective customers. We will also improve our production competency and efficiency by upgrading machines and implementing robotics technology. Furthermore, we will prudently manage our business expenses by consistently working towards reducing production and operating costs.

In the face of the challenging environment in our manufacturing business, the Group has adopted a strategy to diversify our revenue stream. One of the steps taken was the launch of our mobile game in December 2020, which aimed to expand our online business. Moving forward into 2024, the Group will accelerate its efforts in the development and optimization of our mobile game to strengthen our online business. We will also continuously review our development strategy and operational approach in response to market changes, ensuring our ability to adapt accordingly.

The Board will maintain its focus on improving the production competency and efficiency of our core manufacturing business. Simultaneously, the Board will continue to explore new business opportunities to diversify our revenue streams and enhance the Group's performance in light of the challenging environment in our manufacturing sector. The Board firmly believes that a broader range of revenue sources will contribute to long-term sustainable value for our shareholders.

Chairman's Statement

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, 25 March 2024

Management Discussion and Analysis

FINANCIAL REVIEW

During FY2023, the revenue of the Group decreased by approximately 31.0% to approximately S$16.1 million. The decrease was mainly due to the decrease in sales orders of the manufacturing business as a result of the decrease in market demand in the Singapore sheet metal fabrication industry for the year. The gross profit of the Group decreased by approximately 44.5% to approximately S$5.9 million for FY2023 mainly due to (i) decrease in revenue from the manufacturing business; and (ii) the insensitivity of certain production overheads which were generally fixed in nature and did not decrease in line with the decrease in revenue. The Group recorded Net Loss of approximately S$4.9 million for FY2023 as compared to Net Profit of approximately S$2.1 million for FY2022. The change from Net Profit to Net Loss for FY2023 was mainly due to (i) the decrease in revenue from the manufacturing business; (ii) the insensitivity of certain production overheads which were generally fixed in nature and did not decrease in line with the decrease in revenue; and (iii) the increase in the research and development expenses for developing and optimising the Group's mobile games.

BUSINESS REVIEW

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

According to data released by the Ministry of Trade and Industry of Singapore, the Singapore economy recorded a continued growth in 2023, and grew by 1.1% as compared with 2022. However, the manufacturing sector of the Singapore economy shrank by 4.3% in 2023, a reversal from the 2.7% growth in 2022 due to output declines across various clusters in the manufacturing sector including precision engineering clusters.

In FY2023, our manufacturing business encountered a contraction which was in line with the output declines observed across various manufacturing clusters in Singapore. Our revenue from manufacturing business experienced a drop as compared with FY2022.

The Group launched our first mobile game in December 2020. In FY2023, the Group maintained operations for our mobile games while dedicating efforts to enhance our research and development initiatives, aiming to advance and polish our mobile games.

REVENUE

During FY2023, total revenue of the Group decreased by approximately 31.0% to approximately S$16.1 million (FY2022: approximately S$23.3 million).

	Year ended 31 December 2023		Year ended 31 December 2022	
	S$'000	**%**	S$'000	%
Manufacturing business	**15,843**	**98.58**	23,264	99.84
Online business	**228**	**1.42**	37	0.16
Total	**16,071**	**100.00**	23,301	100.00

Management Discussion and Analysis

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 FY2023, the revenue of the Group's manufacturing business decreased by approximately 31.9% to approximately S$15.8 million as compared to approximately S$23.3 million for FY2022. Such decrease in revenue was mainly due to decrease in sales orders from our customers as a result of the decrease in market demand in the Singapore sheet metal fabrication industry.

ONLINE BUSINESS

Mobile game business

During FY2023, the revenue from mobile game business under the online business segment increased by approximately 516.2% to approximately S$0.23 million as compared to approximately S$0.04 million for FY2022.

The increase in revenue from our mobile game business in FY2023 was primarily attributed to the introduction of multiple trial versions of our new game. These trials increase the player base of our mobile game, resulting in an increase in revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group for FY2023 amounted to approximately S$5.9 million, representing an decrease of approximately S$4.8 million or 44.5% as compared with the gross profit of approximately S$10.7 million for FY2022. The Group's gross profit margin for FY2023 was approximately 37.0%, as compared with approximately 46.0% for FY2022. Such decrease was mainly due to (i) decrease in revenue from the manufacturing business; and (ii) the insensitivity of certain production overheads which were generally fixed in nature and did not decrease in line with the decrease in revenue.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by approximately S$0.3 million or 6.1% from approximately S$5.2 million for FY2022 to approximately S$5.5 million for FY2023. The increase was mainly driven by general inflation and increase in legal and professional fees for business developments.

RESEARCH AND DEVELOPMENT EXPENSES FOR MOBILE GAMES

In FY2023, research and development expenses for our mobile games increased by approximately S$0.7 million or 34.5% from approximately S$2.1 million for FY2022 to approximately S$2.8 million for FY2023. The research and development expenses mainly represented staff costs and outsourcing expenses incurred in developing and optimising mobile games for our online business. The increase in the research and development expenses was mainly due to increase in outsourcing work and staff costs incurred in developing and optimising the Group's mobile games.

INCOME TAX EXPENSE

The Group's income tax expense primarily related to our operations in Singapore, Malaysia and the People's Republic of China (the "PRC"). For FY2023, income tax expense decreased by approximately S$0.5 million or 35.0% from approximately S$1.2 million for FY2022 to approximately S$0.7 million for FY2023. The decrease was mainly due to the decrease in profit generated from our manufacturing business.

(LOSS)/PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above factors, the Group recorded Net Loss of approximately S$4.9 million for FY2023 (FY2022: Net Profit of approximately S$2.1 million).

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for FY2023 (FY2022: 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, bank loans and shareholder's loan.

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

As at 31 December 2023, the Group's total equity attributable to owners of the Company amounted to approximately S$34.1 million (2022: approximately S$34.5 million).

As at 31 December 2023, the Group's net current assets was approximately S$37.7 million (2022: approximately S$23.8 million) and the Group had cash and cash equivalents, other short-term bank deposits and pledged bank deposits of approximately S$39.0 million (2022: approximately S$23.5 million). The Group had borrowings and lease liabilities of approximately S$13.7million (2022: approximately S$0.4 million) and approximately S$0.8 million (2022: approximately S$0.7 million), respectively.

In FY2023, the average effective interest rate of the Group's bank borrowings (excluding interest-free shareholder's loan) was 3.90% per annum (FY2022: 3.53% per annum).

As at 31 December 2023, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 7.2 times (2022: approximately 4.2 times). The Group's gearing ratio (calculated by dividing total borrowings and lease liabilities by total equity as at the end of the year) was approximately 42.4% (2022: approximately 3.0%).

Management Discussion and Analysis

SHAREHOLDER'S LOAN

In February 2023, Luxuriant East Limited, a company wholly-owned by Mr. Li Thet, provided a total of HK$100 million (equivalent to S$16.77 million) shareholder's loan (the "Shareholder's Loan") to the Company. The Group mainly used the Shareholder's Loan (i) as the general working capital for the Group; and (ii) for development of our online business. The Shareholder's Loan is interest-free, unsecured and has a term of five years, which is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Management considered that the terms of the Shareholder's Loan was favourable to and in the interests of the Company and all shareholders as a whole.

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 on 16 July 2018 (the "Listing"). The share capital of the Company only comprises ordinary shares.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group as at 31 December 2023 are set out in note 15 and note 21 to the consolidated financial statements.

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2023, there was no significant investment held by the Group (2022: Nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

There were no significant investments held, material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group during FY2023.

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 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities, guarantees or any litigation against the Group that would have a material impact on the Group's financial position or results of operations (2022: Nil).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments of approximately S$0.13 million, which was related to acquisition of property, plant and equipment (2022: approximately S$0.12 million).

Management Discussion and Analysis

EVENT OCCURRING 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed 207 full-time employees (2022: 209 employees). The Group has paid remuneration to its staff with reference to the industry practice, the financial performance of the Group and the employee's work performance. 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 the Group's various pension schemes (including Central Provident Fund in Singapore ("CPF Scheme"), Employee Provident Fund in Malaysia ("EPF Scheme"), Mandatory Provident Fund Scheme in Hong Kong ("MPF Scheme") and the central pension scheme operated by the municipal and provincial government authorities in the PRC ("PRC Pension Scheme")) 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 the PRC. 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 Company is SGD. The Group is exposed to foreign exchange risk, primarily USD and HKD. As at 31 December 2023, the Group retains part of the proceeds from the Listing in HKD and USD that are exposed to foreign exchange risk. During FY2023, 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 FY2023.

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" on pages 33 to 65 in this annual report.

Management Discussion and Analysis

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 had been 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 business environment and development of the Group (in particular the impact of the COVID-19 pandemic), resolved to change the use of the remaining unutilised 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 FY2023 were as follows:

Use of Net Proceeds:	Original allocation HK$ million	Amount utilised up to the date of revised allocation HK$ million	Unused amount up to the date of revised allocation HK$ million	Revised allocation HK$ million	Utilised amount from the date of revised allocation to 1 January 2023 HK$ million	Unused amount as at 1 January 2023 HK$ million	Utilised amount from 1 January 2023 to 31 December 2023 HK$ million	Unused amount as at 31 December 2023 HK$ million	Expected timeline for utilising the remaining proceeds	Updated expected timeline for utilising the remaining proceeds (Note)
Expansion in production capacity	46.8	16.8	30.0	8.9	4.0	4.9	2.6	2.3	Before 30 June 2024	Before 31 December 2024
Greater production automation	29.1	12.0	17.1	5.8	4.8	1.0	1.0	–		
Enhancing our information technology system	9.4	1.1	8.3	1.9	0.5	1.4	1.4	–		
Improving quality assurance capabilities	2.7	0.1	2.6	2.6	2.1	0.5	0.5	–		
Increasing marketing efforts	1.2	–	1.2	–	–	–	–	–		
General working capital and other corporate purposes	6.0	6.0	–	10.0	10.0	–	–	–		
Working capital for the business of precision engineering and precision machining services	–	–	–	30.0	30.0	–	–	–		
	95.2	36.0	59.2	59.2	51.4	7.8	5.5	2.3		

As at 31 December 2023 and the date of this annual report, the unutilised Net Proceeds were placed in interest-bearing deposits with licensed banks in Hong Kong and Singapore. The Group expects to gradually utilise the remaining Net Proceeds in accordance with the manner and timeline mentioned in the table above and as stated in the announcement of the Company dated 29 September 2020, including but not limited to developing our production facilities.

Note:

The expected timeline for utilising 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, the Board has resolved to delay the expected timeline for utilising the remaining proceeds to 31 December 2024 instead of 30 June 2024. Such delay in the expected timeline for utilising the remaining proceeds does not constitute any change or effective change to the allocation of proceeds and will not have any material adverse impact on the operations of the Group. The Company will keep reviewing the use of proceeds in light of the recent market conditions.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Thet, aged 36, 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 more than 12 years of experience in the development and operations of mobile game business and management and technology solution development in information technology industry in 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 67, 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 30 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 Community Development and Welfare Fund, patron of Fernvale Citizens' Consultative Committee and patron of Jurong Spring Citizens' Consultative Committee 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 56, 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 holds a degree of Bachelor of Business Administration in Accountancy and Finance 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 June 2012 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 September 2018 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.

Biographies of Directors and Senior Management

Mr. Wong Po Keung (黃保強), aged 53, was appointed as an independent non-executive Director of the Company 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 52, was appointed as an independent non-executive Director of the Company 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 22 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. Yip Kit Chau (葉杰洲), aged 38, joined the Group as the financial controller of a subsidiary of the Company in November 2022 and was appointed as chief financial officer, the company secretary and authorised representative of the Company on 15 December 2022. Mr. Yip is also directors of certain subsidiaries of the Company. Mr. Yip is an accountant by profession and has over 14 years of experience in accounting, budgeting, internal control, corporate finance and financial management. Prior to joining the Group as the financial controller of a subsidiary of the Company in November 2022, Mr. Yip was the group financial controller of a non-public multinational apparel manufacturing company from August 2021 to October 2022. From April 2020 to July 2021, Mr. Yip served as the financial controller of a non-public multinational electronic manufacturing company. Prior to that, Mr. Yip was an assurance senior manager at PricewaterhouseCoopers. Mr. Yip holds a Bachelor degree of Business Administration in Accounting and Finance from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Ms. Wong Yet Lian (黃月蓮), aged 65, joined the Group in August 1992 and serves as directors of certain subsidiaries of our manufacturing business. Ms. Wong has over 30 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 recognise 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 Part 2 of Appendix C1 to Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code on corporate governance practices. During FY2023, the Company has complied with the applicable code provisions set out in the CG Code as contained in Part 2 of Appendix C1 to the Listing Rules.

CORPORATE CULTURE

The Group places high importance in providing distinctive, consistent and high-quality products and services. Our objective is to generate lasting value for stakeholders by continuously improving our production facilities, nurturing strong business relationships with customers, and expanding our revenue streams through diversification. The Board has outlined the following values to provide guidance on employees' conduct and behaviours as well as the operation of business activities, and to ensure that they are incorporated throughout the Group's vision, mission, policies and business strategies:

(i) Integrity — we always do the right thing;

(ii) Excellence — we aim to deliver excellent quality of products and services;

(iii) Collaboration — we always find synergies with existing and potential business partners;

(iv) Innovation — we embrace creativity and improvements; and

(v) Sustainability — we are committed to a sustainable future.

The Board is committed to regularly reviewing and adjusting its business strategies, while closely monitoring shifting market conditions, in order to proactively and promptly respond to market needs and ensure long-term sustainability of the Group.

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 FY2023 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.

Corporate Governance Report

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 managing environmental and social risks and opportunities. The Board held meetings from time to time whenever necessary. During FY2023, 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 year				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Directors					
Executive Directors					
Mr. Li Thet ("Mr. Li") *(Chairman)*	4/4	N/A	1/1	1/1	1/1
Mr. Toe Tiong Hock ("Mr. Toe") *(CEO)*	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Bau Siu Fung ("Mr. Bau")	4/4	3/3	1/1	N/A	1/1
Mr. Wong Po Keung ("Mr. Wong")	4/4	3/3	1/1	1/1	1/1
Mr. Lau Chun Ho Edward ("Mr. Lau")	4/4	3/3	1/1	1/1	1/1

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 B.2.2 of the CG Code, every directors, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Mr. Bau, Mr. Wong and Mr. Lau entered into letters of appointment with the Company under which they are appointed for a term of three years commencing from the date of the appointment, and is automatically renewable for a term of one year, unless terminated by not less than three month's notice in writing served by either party on the other. They are subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting ("AGM") pursuant to the second amended and restated articles of association (the "Articles of Association") of the Company.

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 FY2023, 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 FY2023.

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 FY2023, 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 C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiries made by the Company, that they fully complied with the Model Code during FY2023.

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. Pursuant to the amendment of the Chapter 17 of the Listing Rules which have come into effect on 1 January 2023, the terms of reference of the Remuneration Committee were amended and approved by the Board on 19 December 2022. 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; ensuring significant portion of executive Directors' remuneration linked rewards to corporate and individual performance; and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. 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. There were no new share schemes nor material matters relating to the share option scheme during the year ended 31 December 2023.

Details of emoluments of the Directors and Directors' retirement benefits for FY2023 are disclosed in note 32(a) and note 32(b) to the consolidated financial statements.

REMUNERATION OF DIRECTORS

The remuneration paid to and/or entitled by each of Directors for FY2023 is set out in note 32(a) to the consolidated financial statements.

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.

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.

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 audited financial statements and reports of the Company, the Group's audited consolidated financial statements, 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 held three meetings and reviewed the Group's audited annual results for the year ended 31 December 2022, the Group's unaudited interim results for the six months ended 30 June 2023, and discussed with the management on the accounting principles and practices and financial reporting process including the audited consolidated financial statements and unaudited interim consolidated financial statements, risk management and internal control systems.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for overseeing the preparation of the consolidated 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

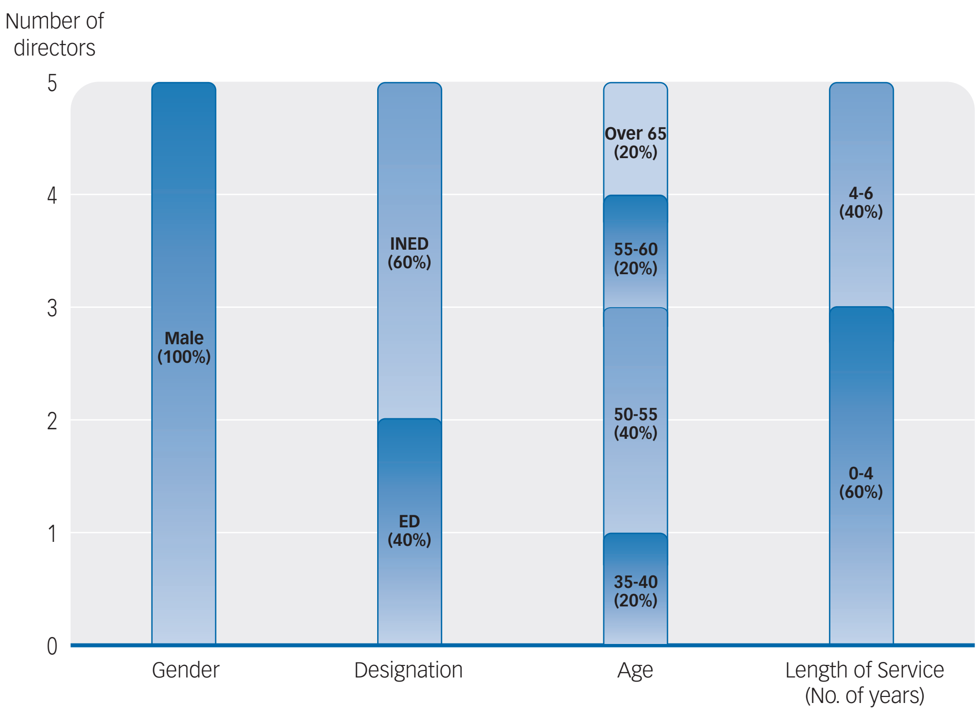
The statements of the auditor of the Company about their reporting responsibilities on the Group's consolidated financial statements for FY2023 is set out in the section "Independent Auditor's Report" of this report. During FY2023, remuneration paid and payable to the auditor of the Group for annual audit fee of FY2023 are approximately S$419,000 (FY2022: approximately S$400,000). During FY2023, remuneration paid and payable to the auditor of the Group for non-audit services are approximately S$9,000 (FY2022: approximately S$10,000).

BOARD DIVERSITY POLICY AND WORKFORCE

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.

An analysis of the Board's current composition is set out in the following chart as at 31 December 2023:



Remarks:

ED — Executive Director
INED — Independent Non-executive Director

Under the revised Rule 13.92 of the Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved Board diversity. The Company is actively identifying potential candidates and aims to meet this new requirement promptly, ensuring compliance no later than 31 December 2024, being the end of the transitional period as specified by the Stock Exchange. The Board will consider amending the Board diversity policy to include appointment of at least a director of a different gender so that the potential successors to the Board can achieve gender diversity.

During FY2023, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Corporate Governance Report

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. As at 31 December 2023, the Group had 207 employees in total, comprising of 48 females and 159 males (that is, a female to male ratio of 1:3). The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure it will continuously achieve gender diversity across its workforce.

ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICY

The Group has established anti-fraud and anti-money laundering policy that promote and support anti-corruption laws and regulations, and set out measures for employees, suppliers and business partners to raise concerns, in confidence and anonymity, with the Audit Committee of the Company about possible improprieties in any matter related to the Group.

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 unauthorised 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 including environmental and social 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 for FY2023 from December 2023 to March 2024, 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 FY2023. The findings from the outsourced internal audit team were 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 policies regarding the inside information.

Risk management and internal control systems for FY2023 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

Mr. Yip Kit Chau ("Mr. Yip") was appointed as the Company Secretary since 15 December 2022. The biographical information of Mr. Yip is set out in the section headed "Biographies of Directors and Senior Management" in this annual report. During FY2023 under review, Mr. Yip 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 requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders who wish to propose 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 Room R125, 3/F., Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong.

INVESTOR RELATIONS

The aim of the Shareholders' communication policy 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).

To solicit and get feedback from shareholders, shareholders are welcome to raise questions, communicate their views on matters affect the Company, and request information (to the extent it is publicly available) from the Board and management to the Company Secretary of the Company.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the channel of communication and engagement in place, and considered that the Shareholders' Communication Policy has been properly implemented during FY2023 under review and is effective.

CONSTITUTIONAL DOCUMENTS

There had been no change in the Company's constitutional documents during FY2023.

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statement of the Group for FY2023.

The Company was incorporated in the Cayman Islands with limited liability on 5 February 2018 as an exempted company 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 Room R125, 3/F., Eton Tower, 8 Hysan Avenue, Causeway Bay, 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 games. The principal activities of principal subsidiaries of the Group are set out in note 14 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for FY2023 and financial position of the Group as at 31 December 2023 are set out in the sections headed "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Financial Position" on pages 71 and 73 to 74 respectively in this annual report.

A review of the Group's business for FY2023, 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 the relationships with its stakeholders, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report. The review forms part of this Directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2023, save as otherwise disclosed, 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 FY2023, 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.

Report of the Directors

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 65 in this annual report.

DONATIONS

During FY2023, approximately S$6,000 charitable and other donations was made by the Group (FY2022: approximately S$274,000).

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 Wednesday, 29 May 2024 to Monday, 3 June 2024 (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 branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 28 May 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during FY2023 are set out in note 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries during FY2023 are set out in note 14 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 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; and (iii) exposure to payment delays or defaults from settlement agents, which would adversely affect the Group's cash flow and financial results.

Report of the Directors

SHARE CAPITAL

The Company's total issued share capital as at 31 December 2023 was 1,000,000,000 ordinary shares ("Share(s)") with par value of HK$0.01 per Share.

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during FY2023 are set out in the "Consolidated Statement of Changes in Equity" on page 75 of this annual report.

As at 31 December 2023, the Company had reserves amounting to approximately S$61.1 million available for distribution to Shareholders.

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 consolidated financial statements is set out on pages 129 to 130 of this annual report. This summary does not form part of the audited consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2023 are set out in note 27 to the consolidated financial statements.

DIRECTORS

The Directors during FY2023 and up to the date of this report were:

Executive Directors:

Mr. Li Thet
Mr. Toe Tiong Hock

Independent non-executive Directors:

Mr. Bau Siu Fung
Mr. Wong Po Keung
Mr. Lau Chun Ho Edward

Mr. Toe, being an executive Director and Mr. Lau, being an independent non-executive Director, 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 CONTRACTS

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, and is automatically renewable for a term of one year, 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 and is automatically renewable for a term of one year, unless terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, 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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographies of Directors and senior management" on pages 12 to 13 in this annual report.

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 FY2023.

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 2023, 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 2023, 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 2023, 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 2023, 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 30 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 FY2023.

Report of the Directors

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACT 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 shareholder 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 FY2023.

CONNECTED/RELATED PARTY TRANSACTIONS

During FY2023, 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 30 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 FY2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of Directors 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 FY2023.

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 FY2023 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 22 June 2018 (the "Scheme") and shall expire on 22 June 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, exercised, cancelled or lapsed since the adoption of the Scheme and there was no share option outstanding as at 31 December 2023. The number of options available for grant under the scheme mandate limit of the Scheme as at 1 January 2023 and 31 December 2023 was 100,000,000 Shares and 100,000,000 Shares, respectively. No service provider sublimit had been set under the Scheme during FY2023.

The maximum number of Shares which can be granted under the Scheme is 100,000,000 Shares, being 10% the total number of Shares in issue as at the Listing Date and the date of this annual report 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. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Unless approved by Shareholders in a general meeting, the amount of Shares which can be awarded to a substantial Shareholder as defined under the Listing Rules 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 FY2023.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2023, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 11.3% and 42.7% (FY2022: approximately 13.9% and 36.7%) 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 48.9% and 98.0% (FY2022: approximately 53.0% and 99.0%) respectively of the Group's total revenue for FY2023.

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, MPF Scheme and PRC Pension Scheme which are defined contribution pension schemes in Singapore, Malaysia, Hong Kong and the PRC 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. The Group is required to contribute up to 17% of the employees' salaries to the CPF Scheme, subject to a cap of monthly ordinary salaries of S$6,300.

(b) The EPF Scheme is a national pension scheme that enables working Malaysia citizens and permanent residents to set aside funds for retirement. The Group is required to contribute up to 13% of the 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 the PRC are members of the PRC Pension Scheme. The Group is required to contribute a certain percentage of employee's remuneration to the PRC Pension Scheme to fund the benefits. The only obligation of the Group with respect to the PRC Pension Scheme is to make the associated required contribution.

For FY2023 and FY2022, there were no forfeited contributions which were available to reduce the Group's existing level of contributions for the CPF Scheme, EPF Scheme, MPF Scheme and PRC Pension Scheme.

Save as aforesaid, the Group did not participate in any other pension schemes during FY2023.

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 FY2023, 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 SENIOR MANAGEMENT

The five individuals whose emoluments were the highest in the Group include two directors (FY2022: two) and three individuals (FY2022: three). The emoluments payable to the three individuals fell within the following emoluments bands:

	Number of individuals
Emolument bands	
HK$1,000,001 to HK$1,500,000 (Equivalent to S$171,601 to S$257,400)	2
HK$4,000,001 to HK$4,500,000 (Equivalent to S$686,401 to S$772,200)	1

Details of the emoluments of the Directors and the five highest paid individuals of our Group during FY2023 are set out in notes 10 and 32 to the consolidated financial statements respectively.

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 22 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 FY2023 (FY2022: Nil).

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 consolidated financial statements of the Group for FY2023.

AUDITOR

The consolidated financial statements for FY2023 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. There has been no change in auditor since the Listing Date.

EVENT OCCURRING 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.

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 FY2023.

On behalf of the Board,

Li Thet
Chairman
25 March 2024

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the 2023 Environmental, Social and Governance (the "ESG") Report of FSM Holdings Limited ("FSM", together with its subsidiaries, collectively the "Group"), covering the period from 1 January 2023 to 31 December 2023 (the "reporting period"). The report provides an overview of the Group's approach to management of environmental and social aspects and performance during the reporting period. The report has been prepared in compliance with the ESG Reporting Guide set out in Appendix C2 to the Listing Rules on the Stock Exchange. Corporate governance is covered in the Corporate Governance Report on Pages 14 to 22 in the annual report.

This report has been prepared in English as well as Chinese and in case of any conflicts between the two versions, the English version shall prevail.

Reporting Boundary

This report covers the Group's major operations, including its manufacturing business and its online business. The reporting boundary covers all wholly-owned subsidiaries of the Group, including six major subsidiaries of FSM based in Singapore and Malaysia and six major subsidiaries based in Hong Kong and the People's Republic of China ("the PRC").

All information presented and analysed in this report is extracted from the Group's financial reports and other official documents, adhering to the reporting principles of Materiality, Quantitative, Balance and Consistency. Data and information have been adequately checked and facilitated a meaningful comparison over time. The report clearly informs instances in which data have been estimated, and the underlying assumptions and techniques used for the estimation are also explained. In some cases, the report states where the relevant information can be found.

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:
Room R125, 3/F., Eton Tower, 8 Hysan Avenue, Causeway Bay,
Hong Kong
Phone: +852 3170 3225
Fax: +852 3468 1939
Email: contact@fsmtech.com

Environmental, Social and Governance Report

BOARD STATEMENT

The Board takes the overall responsibility for ESG matters and their integration into the Group's approach and strategies. The Group established an ESG Committee in 2021 for which it was comprising of the Chief Executive Officer, Chief Financial Officer and some other senior executives. Reporting to the Board, the ESG Committee formulates and reviews the strategies and policies the Group follows for managing ESG-related risks and opportunities. It reviews the progress of the environmental targets, and provides recommendations to the Board at least once a year on the relevant ESG-related works to ensure continuous compliance with regulatory requirements and to keep the Group moving towards sustainability.

The Board of Directors confirms that it has reviewed and approved the report. The Board asserts that the report addresses relevant material issues and fairly presents the ESG performance of the Group.

ESG MANAGEMENT APPROACH

The Group provides precision machining services in Singapore and is known as a leading sheet metal fabricator specialising in precision engineering. The need for striking a balance between business growth and sustainable development is something the management very conscious of. We believe in order to prosper we must conserve resources, value employees and ensure operational competency. We have, therefore, integrated the relevant sustainability parameters into our business model, ensuring that environmental impacts of our business initiatives are taken into consideration while making decisions on policies and programmes.

FSM's Materiality

We engage with our key stakeholder groups such as customers, employees, community, suppliers, government and investors and shareholders to keep ourselves abreast of their concerns. We engage with them through various channels and prioritise the concerns in economic, social and environmental aspects on the basis of the significance of the impacts they have on our operations and on the environment at large. The Group's material topics are denoted in bold which include customer satisfaction, occupational health and safety, and legitimacy of services and business ethics.

Stakeholders	Issues of Concern	Engagement Channels	Corresponding sessions
Customers	• Product Safety • **Customer Satisfaction** • Data Privacy	• Company Website • Feedback by Phone • Formal Process of Handling Complaints	• Quality Assurance • Customer Experience • Data Privacy
Employees	• Career Development and Training • Remuneration • **Occupational Health and Safety**	• Staff Meetings • Annual Appraisals	• Human Capital Development • Health and Safety
Community	• Environmental Protection • Contribution to the Community	• Compliance with Applicable Laws and Regulations • Support Charity Organisations	• Environmental Management • Community Contribution
Suppliers	• Third-party risk Management • Supply Chain Management	• Website for Prospective Suppliers • Responses to Supplier Inquiries	• Supply Chain Management
Government	• **Legitimacy of Services and Business Ethics** • Employee Protection • Tax Compliance	• Compliance with Applicable Laws and Regulations	• Human Capital Development • Culture of Responsible Conduct
Investors and Shareholders	• Corporate Governance Operations • Information Disclosure	• Annual Reports and Interim Reports • Press Releases	• Culture of Responsible Conduct • Data Privacy

OPERATIONAL EXCELLENCE

Our clients have full faith in the quality of our products as well as the services we provide in terms of delivery and after sales-service.

Quality Assurance

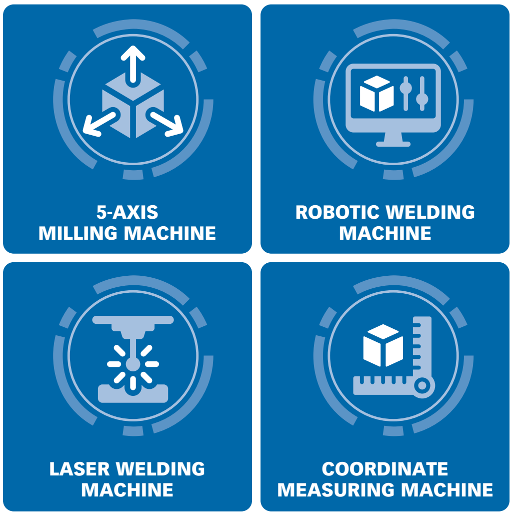
Consistently high product quality enables us to match the required complexity and precision. Our manufacturing operations are certified for the ISO 9001:2015 Quality Management Systems certification.

To ensure the quality of our products, the Group has established a Quality Manual. We have designated quality control professionals at each stage of manufacturing, throughout the production process, who test and inspect products at different stages in accordance with defined quality control procedures. This enables us to ensure that all products leaving our factory meet the applicable specifications and quality standards. All instances of non-conformance are recorded and required rectification actions are taken, or the materials are returned to the supplier.

First Article Production	In-coming Inspection	In Process Inspection	Out-going Inspection
• When a consumer requests it, the concerned departments undertake an article inspection first. • The initial article inspection report is reviewed by the head of the Quality Control Department.	• Accept raw materials in accordance with the delivery order. • Conduct material inspections based on their physical and visual condition. • Return products with defects to vendors.	• Respective departments carry out in process inspection. • Dispose of non-conforming parts following the established procedures for handling non-conforming products.	• Conduct final inspection on finished items. • Update the critical profile dimensions' results.

Advanced Machinery and Technology

The Group is constantly acquiring modern machinery and robotics to improve its production capabilities and enhance automation and precision in the manufacturing business. Robotics' tremendous flexibility allows us to suit our clients' needs while maintaining high precision. This strengthens our position and competitiveness in the Singapore sheet metal fabricating sector.



The Group uses enterprise resource planning system ("ERP System") to ensure the efficiency of its manufacturing operations and management. The ERP System helps cut manufacturing costs and allows more effective documentation and record-keeping which in turn helps maintain high product quality. The quality control process becomes smooth and the manufacturing cycle time is minimised.

Customer Experience

When a company steadfastly remains customer-centric, it is generally able to build long-term relationships with clients. For ensuring that the customers get the kind of quality they expect in the product and the high-quality service they expect, we assign clearly defined roles to various employees and departments. Since each employee or department is answerable for certain parts of the manufacturing process, we are able to provide a positive customer experience and often exceed their expectations.

Customer complaints are handled directly by specifically authorised managers or the directors, and the corresponding production issues are communicated swiftly to facilitate quick and effective resolution. Contracts are finalised by the directors and they also assess performance of contracts regularly, which helps determine whether or not to approve a quotation.

In response to rejection of a product by the customer because of quality issues, the Quality Control Department Head or a management representative takes charge and records the incidence. The causes are identified and remedial and preventive actions are taken. The steps we go through when taking remedial measures are summarised in the diagram below:

Investigate
- Identify the problem
- Investigate the cause

Analyse
- Determine the cause
- Recommend corrective action

Monitor
- Evaluate remedial action
- Make changes to the Quality Management System

For our online mobile gaming business, we seriously analyse feedback received from every customer and devise ways to ensure a great gaming experience for players by continually making improvements based on players' responses.

No material complaints were received during the reporting period. The Group is not aware of any non-compliance of relevant laws and regulations that could have had a significant impact on health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress. There were no instances of products having to be recalled for safety and health reasons.

Supply Chain Management

To better manage our supply chain risks, the Control of Vendors and Contractors Policy has been set. We work to build close relationships with suppliers and subcontractors, so that we are able to collaborate with them effectively in ensuring smooth output of quality products and services. Suppliers and subcontractors are assigned some of the post-treatment activities as well. Our manufacturing business has 284 suppliers as of 31 December 2023, of which 174 are located in Singapore, 86 in Malaysia, and the remaining 24 are from other geographical locations.

Priority is given to suppliers who follow sustainable practices and work in a responsible manner when providing services. Selection of vendors and suppliers is based on the following information they provide:

- **Current environmental controls**
- **Confirmation of compliance with legislation**
- **Types of raw materials and chemicals used**
- **Types and quantities of wastes generated**
- **Treatment and disposal methods of wastes**

We work in effective coordination with suppliers and subcontractors to ensure product quality. We hold regular meetings with them to discuss new products, ways of quality improvement and other similar issues. Performance of suppliers is evaluated every month and those who fail to meet expectations are asked to take corrective actions. If they fail to improve within two months, they may be removed from our Approved Vendors List.

Identification of risks associated with environmental and social factors along the supply chain is viewed as a critical task by the Group. Suppliers having significant environmental impacts are requested to provide information about how they are managing the relevant issues and are encouraged to establish environmental management systems within their organisations.

To ensure that all produced materials and outsourced parts fulfil the specified requirements, and environmental awareness is promoted, the Group encourages suppliers to be responsible for appropriately scheduling and arranging inspections at their own facilities.

Intellectual Property Protection

The Group has set out procedures and rules to ensure intellectual property rights of its own as well as those of others are fully protected. The Intellectual Property Control Policy of the Company prescribes procedures in details and assigns clear responsibilities to various employees. Proper implementation of the rules and observance of procedures are the responsibility of an executive designated specially for the purpose. In the event of violation or non-conformance, the directors must be informed. All suppliers and employees are required to sign a non-disclosure agreement and are provided with frequent trainings on protecting intellectual property rights.

An annual training program is held for all employees to make them aware of importance of protecting intellectual property rights. During the reporting period, the Group was not involved in any intellectual property rights-related disputes and complied with applicable laws and regulations[1].

Data Privacy

Our Data Protection Policy lays down specific ways that personal data of workers should be collected, used, disclosed, or otherwise processed and is formulated to ensure the Group is in compliance with the relevant laws and regulations[2].

Personal data are collected for specific purposes, such as fulfilling obligations related to one's job, dealing with administrative and human resources issues, and assessing one's eligibility for employment. During the reporting period, employment contracts with confidentiality clauses were signed with all new employees. If a staff member desires a copy of their personal data, he/she needs to contact the Group's Data Protection Officer. The Group's Data Protection Officer is also responsible for addressing complaints about personal data protection policies and procedures.

1 Applicable laws and regulations include but are not limited to "Rules for the Implementation of the Patent Law" in the PRC.

2 Applicable laws and regulations include but are not limited to "Personal Data Protection Act" in Singapore, "Personal Data (Privacy) Ordinance" in Hong Kong and "Personal Information Protection Law", and "Data Security Law" in the PRC.

Environmental, Social and Governance Report

Antivirus protection, encryption and privacy filters are used to prevent unauthorised access, acquisition and modification of personal data, the underlying belief being that limiting access to stored data helps maintain security thereof. We do not maintain personal information of gamers in our online business, which is a mobile internet game, to avoid information leakage.

During the reporting period, the Group is not aware of any non-compliance of relevant laws and regulations relating to the data security.

Culture of Responsible Conduct

Corruption in any form, be it bribery, fraud, extortion or any other act that is basically unethical is totally unacceptable at the Group as it considers ethical integrity to be the foundation of success. All applicable laws and regulations[3] in the region where we operate must be complied with by all employees and directors. Violation of the Group's Anti-Corruption Policy is viewed as a serious breach of discipline and may lead to dismissal instantly.

Another way the Group strives to maintain ethics is educating its stakeholders on the importance of good conduct and integrity. Online anti-corruption training is provided to employees and the Company's directors through the Independent Commission Against Corruption (ICAC) website, which helps promote discipline in inspection and supervision.

Procedures for responding to whistleblowing and investigating allegations are listed in detail in the Anti-fraud and Anti-money Laundering Policy of the Group. All employees are expected to report any suspected irregularity to directors immediately. All reported cases are investigated by directors in a fair manner. If the charges of fraudulent activities turn out to be true, the concerned individuals can be prosecuted or referred to the appropriate law enforcement or regulatory agencies for further independent investigation.

In 2023, there was no corruption case and the Group is not aware of any instance of non-compliance with relevant laws and regulations relating to bribery, extortion, fraud, or money laundering that could have a significant impact on the Group.

Community Contribution

Giving back to the communities where we operate has always been an important agenda for us. Besides donations of money and masks in the Covid years, the Group intends to continue to discharge its corporate responsibility and contribute to the development of vulnerable segments of society. During the reporting period, the Group donated a total of approximately SGD6,000 to various events aimed at providing essential goods to those in need and enhancing community well-being.

3 Applicable laws and regulations include but are not limited to "Prevention of Bribery Ordinance" and "Competition Ordinance" in Hong Kong and "Anti-Unfair Competition Law" in the PRC.

OUR PEOPLE

Health and Safety

The Group's primary concern is to safeguard the health and safety of its personnel as well as the environment in which they work. Our Workplace Safety and Health Policy is regularly reviewed by a committee comprised of members from all departments of our manufacturing business to handle issues related to occupational health and safety, to ensure strict compliance with all relevant laws and regulations[4] at locations where our manufacturing business operates. During the reporting period, the Group is not aware of any violations of laws and regulations related to health and safety.

We are certified for BizSAFE Level 4 by the Workplace Safety and Health Council in Singapore, which testifies to our efforts for maintaining workplace safety and preventing health hazards.

Our performance on Occupational Health and Safety

During the reporting period, there are no work-related fatalities, 0 work-related accident, 0 injured employees, and 0 lost days due to injury. Mitigating the probability of workplace injury and accidents every which way possible is a priority for us and we use all available resources to maintain the record of zero fatalities and accidents.

Safety at Workplaces

The Group makes all possible effort to ensure there are no potential safety hazards at its production facilities. All operators are expected to comply with our Machining Department's safety requirements. Operating personnel must wear personal protective equipment while on the job.

For dealing with fire and other hazardous situations, we have documented a Fire Contingency Plan and an Emergency Response Plan which help respond to situations such as fire or a hazardous situation in some other form. For ensuring smooth evacuation of affected premises in the event of a fire, the operating zone is kept free of obstructions. During the reporting period, one evacuation drill was carried out.

No work-related accidents are recorded during the reporting period, nor are there any injuries to any employees. There have been no work-related fatalities over the past 3 years.

Safety Training

Safety training is regularly provided to operational staff engaged in the manufacturing process. This helps raise their safety awareness and also equips them with the necessary operating skills. In total, we provided 281.7 hours of production work safety training to our staff in 2023, noting a 563% increase compared to that of the previous year. We will continue to deliver appropriate training courses in the future.

No instance of non-compliance of relevant laws and regulations that could have had a significant impact on the Group is identified during the reporting period, relating to safe working environment and protecting employees from occupational hazards.

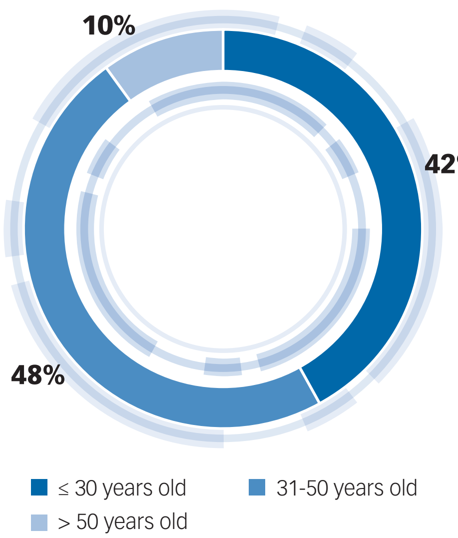
[4] Relevant laws and regulations include but are not limited to "Workplace Safety and Health Act", "Work Injury Compensation Act", "Radiation Protection Act", "Workplace Safety and Health (Noise) Regulations 2011", "Workplace Safety and Health (General Provisions) Regulations", "Safety and Health (Registration of Factories) Regulations 2008" in Singapore, "Occupational Safety and Health Act" in Malaysia, "Occupational Health and Safety Ordinance", "Fire Safety (Buildings) Ordinance" in Hong Kong, and "Law of the People's Republic of China on Prevention and Control of Occupational Diseases" in the PRC.

Environmental, Social and Governance Report

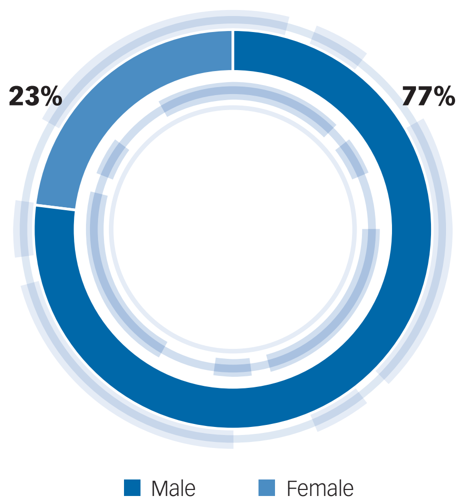
Workforce Profile

There were 207 employees in the Group as of 31 December 2023. They were mainly based in Singapore, Malaysia, Hong Kong and the PRC, with 51 in Singapore, 94 in Malaysia, 14 in Hong Kong and 48 in the PRC. Male to female ratio is roughly 3:1.

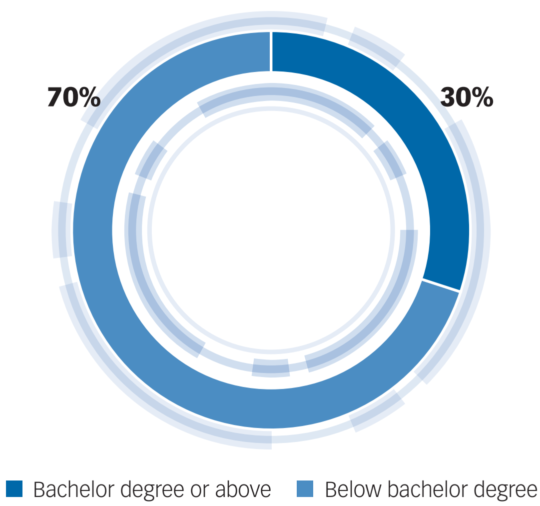
Total Workforce by Age



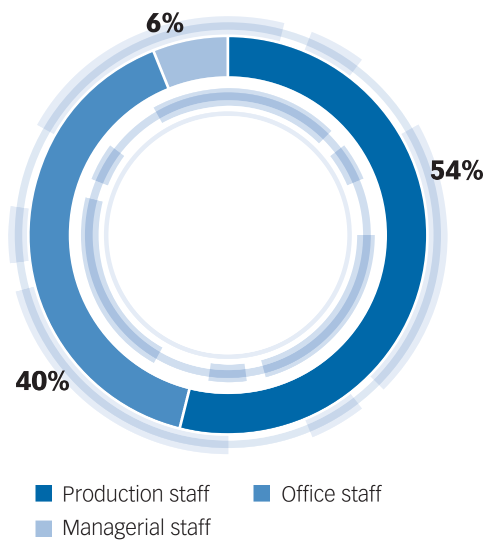
Total Workforce by Gender



Total Workforce by Education Level



Total Workforce by Function



Human Capital Development

Developing skills and capabilities of employees on an ongoing basis is necessary for growth of the Group as well as its employees. Constant changes in markets and technologies have made it all the more necessary to provide adequate training and development opportunities to staff. Our Human Resources Department plans and implements training programs with the department head on a regular basis under the guidance of our Training and Development Policy.

Training for New Hires

New hires receive induction training from the Human Resources Department, which includes supervisors and department heads. The main goal is to get new employees up to speed on the Group's rules, job responsibilities, and health and safety regulations.

On-the-job Training

All employees receive mentoring, coaching, job rotation, instructor-led courses, conferences, and seminars as on-the-job training. These aid the development of employees' technical capabilities and job efficiency.

Job Promotion

Employees are encouraged to realise their full potential and adequate opportunities are offered for advancement and talent development. Employees' performance is reviewed on an annual basis for promotion. The annual appraisal takes into account achievements, attendance, punctuality, teamwork, improvement, and potential.

Training Evaluation

Training requirements are worked out by employees themselves, in consultation with their respective department heads. They can also apply for continuing education if they have needs. The Human Resources Department provides funding and collaborates with department heads to determine training needs. During the annual promotion appraisal, a career development plan and relevant training are also proposed.

Environmental, Social and Governance Report

During the reporting period, occupational training was provided to all 207 employees, for a total length of 4,672.7 hours. Distribution of average training hours per employee and percentage of trained staff by gender and function is as follows:

Percentage of Employees Trained[5]	
By Gender	
Male	**76.8%**
Female	**23.2%**
By Function	
Production	**54.6%**
Office	**39.6%**
Managerial	**5.8%**

Average Training Hours[6]	
By Gender	
Male	**22.86**
Female	**21.61**
By Function	
Production	**21.26**
Office	**24.21**
Managerial	**23.75**

5 In accordance with the Stock Exchange *How to Prepare an ESG Report Appendix 3: Reporting Guidance on Social KPIs*, the methodology of calculating the percentage of employees trained = (Number of employees trained in category/Trained Employees)*100%.

6 In accordance with the Stock Exchange *How to Prepare an ESG Report Appendix 3: Reporting Guidance on Social KPIs*, the methodology of calculating average training hours = Total training hours in category/Total number of employees in the category.

During the reporting period, the distribution of turnover and new hire rates by gender, age, and geography is as follows. The Group will keep reviewing the staff compensation package and benefits stipulated in the Employee Handbook to retain talent.

Turnover Rate[7]	
By Gender	
Male	**24.0%**
Female	**6.7%**
By Age	
<31	**10.1%**
31–50	**19.2%**
> 50	**1.4%**
By Geography	
Singapore	**11.1%**
Malaysia	**12.5%**
Hong Kong	**2.4%**
The PRC	**4.7%**

New Hire Rate[8]	
By Gender	
Male	**19.7%**
Female	**10.1%**
By Age	
<31	**13.5%**
31–50	**14.9%**
> 50	**1.4%**
By Geography	
Singapore	**9.1%**
Malaysia	**7.7%**
Hong Kong	**3.4%**
The PRC	**9.6%**

7 Turnover Rate Calculation Methodology = (Number of employees who left in category/Average number of employees) x100%. Average number of employees = (Number of employees at the end of previous year + number of employees at the end of this year)/2.

8 New-hired Rate Calculation Methodology = (Number of new-hired employees in category/Average number of employees) x 100%. Average number of employees = (Number of employees at the end of previous year + number of employees at the end of this year)/2.

All applicable labour laws and regulations[9] at locations where we operate are complied with as a matter of policy. The Group only employs legally aged and consenting employees. Employment application forms are required to state the age of the applicant and the Human Resources Department checks it before further processing of the application from a candidate. The candidate must be an adult, as defined by applicable laws. We do not recruit undocumented labour or vendors. Once a case of forced labour or child labour occurs, the Human Resources Department of the Group will deal with it immediately.

No instance of non-compliance with relevant laws and regulations that have a significant impact on the Group is reported during the reporting period, related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and child or forced labour prevention. All remuneration and welfare benefits are provided on a compliance level.

ENVIRONMENTAL MANAGEMENT

Being a sheet metal and precision machining company in Singapore, the Group is aware of the environmental impacts of its resources consumption, waste generation and pollution. To ensure the effectiveness of its environmental management, the Group has obtained certification under the latest ISO 14001:2015 Environmental Management System. Compliance with relevant legislations[10] and other requirements is assured by regular monitoring of environmental performance in terms of energy usage, waste, water usage, air and noise emissions. Besides, environmental risk assessment is conducted on the basis of the probability of occurrence, severity and significance.

The Group has an Environmental Policy that commits it to preventing pollution by reducing the impact of our operation on the environment.

9 Relevant laws and regulations include but are not limited to Employment Act, Employment of Foreign Manpower Act, and Central Provident Fund Act in Singapore, the Employment Act, Employees Provident Fund Act, and Employees' Social Security Act in Malaysia, the Employees' Compensation Ordinance, Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Minimum Wage Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance, Race Discrimination Ordinance, Employment of Children Regulations in Hong Kong, and the Labour Law, Labour Contract Law, Provisions on the Prohibition of Using Child Labour of the PRC, Special Provisions for The Work Protection of Female Employees, and Law on the Protection of Minors in the PRC.

10 Relevant legislations include but are not limited to "Environmental Public Health Act", "Environmental Protection and Management (Boundary Noise Limits for Factory Premises) Regulations" in Singapore, "Environmental Quality Act 1974" in Malaysia, "Environmental Impact Assessment Ordinance" in Hong Kong, and "Environmental Protection Law of the People's Republic of China" in the PRC.

Environmental, Social and Governance Report

Compliance with legislation.

Communication of environmental awareness with our employees, customers/ suppliers.

Continual improvement by reducing environmental risk, waste and resource consumption.

In line with the "Continual Improvement" principle, we target a reduction in intensity per unit revenue (SGD) of electricity, water and plastic consumption. We are also targeted to reduce our greenhouse gas emission intensity through the adoption of energy efficiency measures. To achieve our environmental targets, we periodically review our resource consumption data. The environmental target card is provided to all new employees with the Employee Handbook to ensure that all employees clearly understand our environmental targets.

To save on water usage:
Reduce water intensity
by 10%

To save on the electricity consumption:
Reduce electricity intensity
by 10%

To save on the plastic usage:
Reduce plastic intensity
by 10%

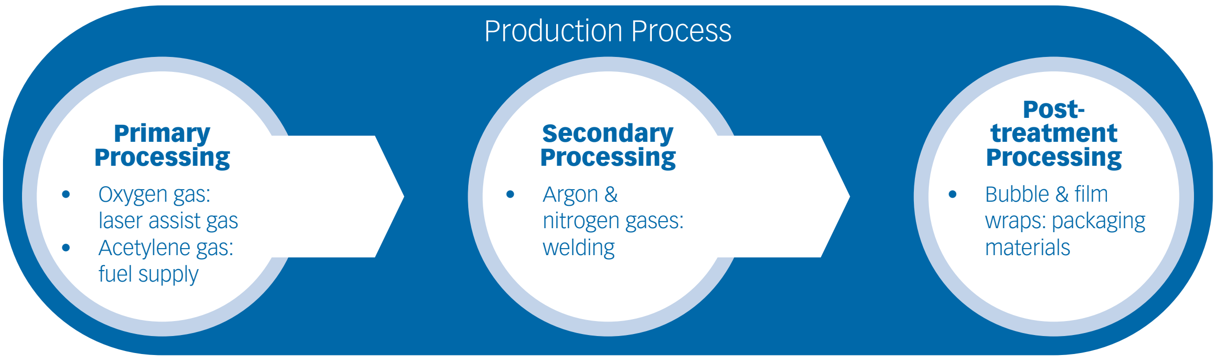
Due to the office-based nature, environmental impacts of our gaming business are relatively low. Nevertheless, we adopt green practices in offices and promote environmentally friendly actions.

During the reporting period, the Group was not aware of any non-compliance with 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

The sheet metal production process involves consumption of different resources such as electricity, diesel, water and refrigerants. Resources consumed during 3 stages of our production process are depicted herein below:

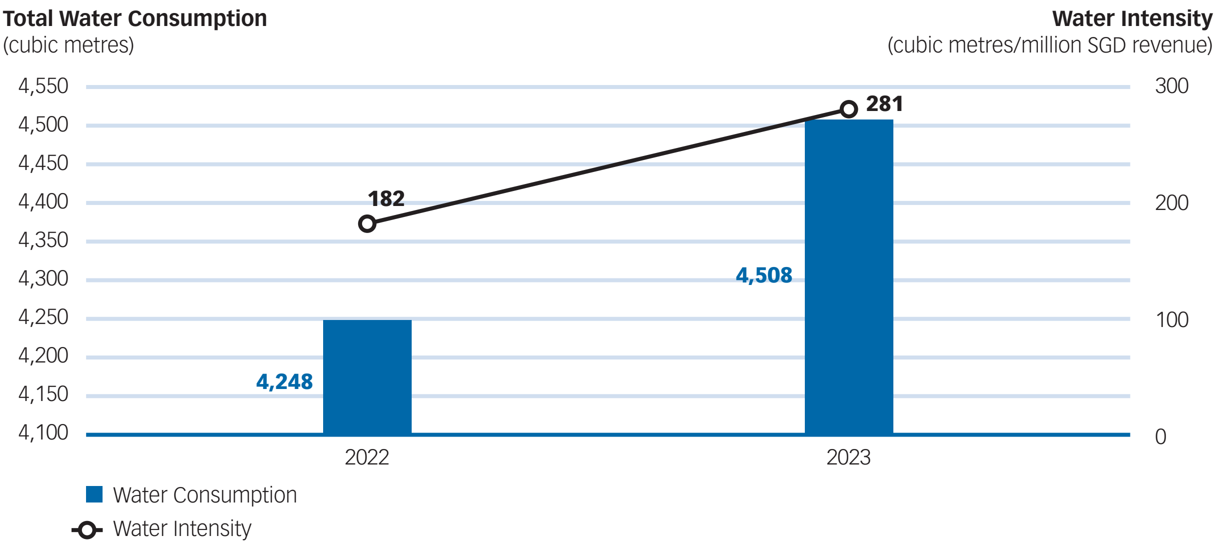
Resources Consumed at Three Production Stages



Water

Consumption of water by the Group's manufacturing and gaming businesses was approximately 4,508 cubic metres during the reporting period. Water intensity was approximately 281 cubic metres per million SGD revenue. The main reason for the increment in water usage is due to an increase in certain production processes for products. There are no issues in sourcing water fit for the purpose during the reporting period.

Water Consumption

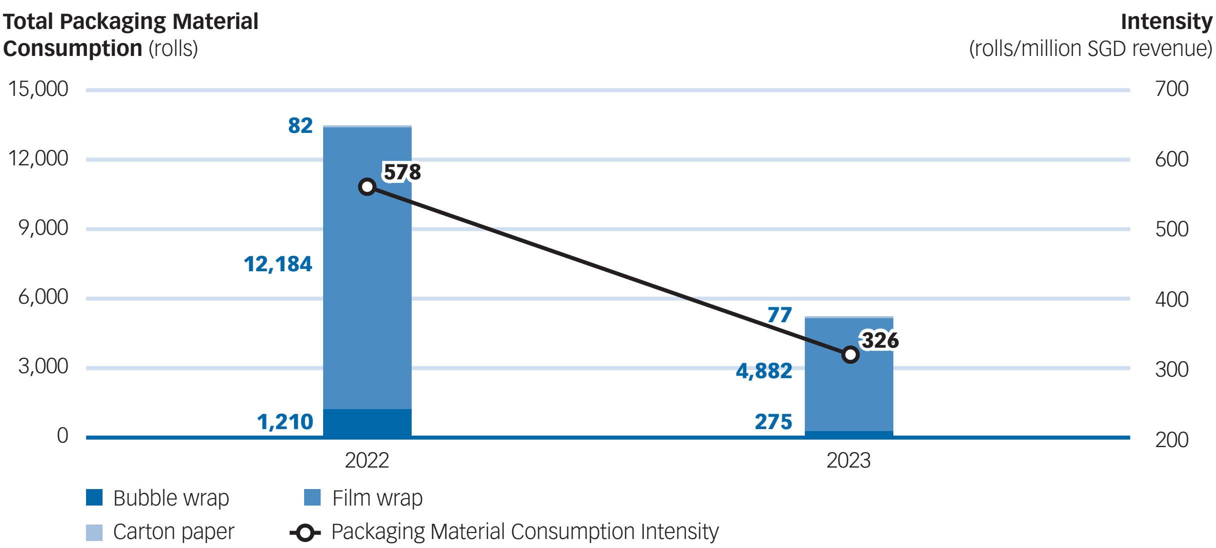


The usage of water is monitored constantly and employees are encouraged to follow water-saving measures initiated by the management. Water discharged in public drainage systems is tested by qualified third parties on a regular basis to ensure that no toxic substances are discharged. Chemicals are not allowed to enter public sewage as water containing harmful chemicals is handed over to government-approved and licensed chemical waste collectors. Water discharges are generally diluted and closely monitored.

Packaging Materials

In Singapore facility, carton paper, film wrap and bubble wrap are used as three major packaging materials. During the reporting period, packing materials consumption amounted to 77 rolls of carton paper, 4,882 rolls of film wrap and 275 rolls of bubble wrap. The intensity was approximately 326 rolls per million SGD revenue, reflecting a significant 44% reduction compared to that in 2022. The reduction is attributable to a change in the packaging method.

Packaging Material Consumption



By reducing packaging material consumption and intensity, the Group demonstrates an ongoing effort to enhance environmental responsibility and align its operations with more eco-friendly packaging solutions.

Emissions and Waste

Air Emissions

Bulk of air emissions are on account of business travel and logistics activities of the Group. During the reporting period, emissions of sulphur oxides (SO_x) were approximately 0.16 kg, nitrogen oxides (NO_x) emissions were about 114.45 kg and 10.28 kg of particulate matter (PM), all attributed to consumption of diesel. There have been significant reductions in the emissions of all three air pollutants compared to the previous year. Specifically, SO_x decreased by 16%, NO_x decreased by 22%, and PM decreased by 20%. Compliance with emission standards is ensured by commissioning a third party for an annual audit.

Ozone-depleting substances (ODS) and other impurities are generated because of the use of chemicals and refrigerants. In order to keep the resultant emissions within the limits prescribed by law, we make sure that no dark smoke is generated in the manufacturing process. Control of Ozone Depleting Substance Procedures standard is used for evaluating chemicals used in manufacturing, before purchase. Only chemicals containing ODS in a close-loop system are purchased and use of refrigerants is monitored on a regular basis.

Waste

Most of the waste generated by the Group is non-hazardous waste comprising packaging materials, scrap metals, domestic waste, and paper and garbage in offices. Additionally, hazardous waste is generated due to the use of coolants. During the reporting period, the Group's manufacturing business generated about 1,300 litres of hazardous waste and 71 tonnes of non-hazardous waste. Intensities of hazardous and non-hazardous waste were 81 litres per million SGD revenue and 4 tonnes per million SGD revenue respectively. There have been significant reductions as compared to the previous year.

Waste Type	2022	2023
Hazardous Waste (Litres)	3,200	**1,300**
Hazardous Waste Intensity (Litres/million SGD revenue)	137	**81**
Non-hazardous Waste (Tonnes)	142	**71**
Non-hazardous Waste Intensity (Tonnes/million SGD revenue)	6	**4**

We have documented Waste Management Procedures that stipulates the way waste generated at manufacturing sites is to be handled. There are designated locations for storing and classifying waste into different types. Hazardous and non-hazardous wastes are handled by recycling collectors. Efforts are made constantly to reduce waste generation and a target is set for reduction in intensity per unit revenue (SGD) of our plastic consumption.

Noise Management

The Group is aware of the potential disturbance caused by noise generated at production sites to the surrounding environment and has established comprehensive Noise Control and Monitoring Procedures. Striving for compliance with boundary noise limits established by applicable laws, our facilities undergo regular measurements conducted by authorised third-party agencies.

Should there be instances where the measured noise exceeds the Environmental Protection and Management boundary noise limits, corrective actions are promptly implemented. This proactive approach underscores our commitment to minimising the impact of our operations on the surrounding environment and ensuring compliance with noise regulations.

Environmental Emergency Management

Frequency of extreme events like typhoons, excessive rains, floods, and forest fires etc., is increasing steadily and the Group is conscious of the need to be vigilant about the effects of such extreme events on its business. We have formulated internal policies for addressing emergency situations and to be prepared for them in advance. The policy covers not only our own response but also actions we need to take for the entire value chain, including emergency prevention, response and review. Implementation of this policy is accorded high priority by the management and there is an executive-in-charge of the emergency management.

There was no incidence of any non-compliance with relevant laws and regulations having 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.

Tackling Climate Change

The Group identifies and manages risks associated with climate change across its operations. Strategies are being developed in line with industry practices to anticipate the impacts of climate change on our operations, and to increase resilience to climate change. We have a Climate Change Policy in place which lists ways we intend to manage climate-related risks and impacts. Our actions are divided into mitigation, adaptation and resilience, as shown in the graphics below:

Mitigation

- Set greenhouse gas emissions reduction target.
- Adopt industry-specific practices to improve energy efficiency.
- Explore the use of low-carbon and renewable energy sources.
- Encourage the procurement of low carbon products.

Adaptation

- Assess climate-related risks and opportunities and enhance its understanding of the impacts of climate change on its operations, including any associated financial risks and opportunities.

Resilience

- Incorporate climate-related risks into its corporate risk management system.
- Have in place a crisis management plan in response to extreme weather.
- Communicate with stakeholders on climate resilience.

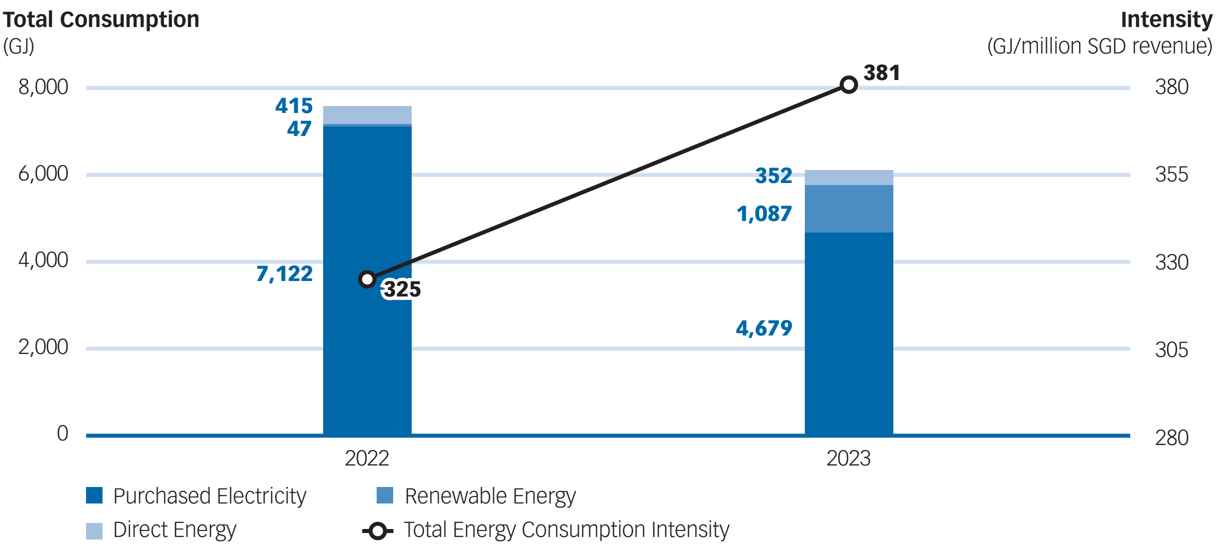
The Group recognises climate change poses significant risks and opportunities to its business operations and the broader community. Relevant risks and financial impacts were identified to better manage the climate-related risks and opportunities.

Type		Climate-related Risks	Potential Financial Impacts
Physical Risks	**Acute**	• Increasing severity of extreme weather events	• Property damage and operational disruptions
	Chronic	• Escalating average temperatures • Rising sea levels • Alterations in weather patterns and increased variability	• Inventory management and production costs • Asset damage and increased insurance • Higher cooling and energy expenses
Transition Risks	**Policy and Legal**	• Stringent regulations • Increasing GHG emissions reporting obligations	• Higher manufacturing expenses • Increasing compliance costs
	Technology	• Unsuccessful new technology investments • Substitution of existing products	• Transition costs to green technology • Increasing operational expenses • Wasted capital expenditure
	Market	• Uncertainty in market signals • Increasing ambition of decarbonisation strategies and roadmaps	• Shift in product demand • Investment and strategy challenges • Higher production expenses
	Reputation	• Shifts in consumer preferences • Increasing stakeholder concern	• Decreasing investor and customer confidence • Reducing product demand • Negative brand image

Energy

Energy consumption of the Group mainly comprises diesel consumed by its vehicles and forklifts and purchased electricity. A total of approximately 6,118 gigajoules ("GJ") of energy was consumed during the reporting period, showcasing a 19% reduction as compared to that of the previous year. The energy intensity was 381 GJ per million SGD revenue. Renewable energy, direct energy, and purchased electricity account for 18%, 6% and 76% respectively of total energy consumption.

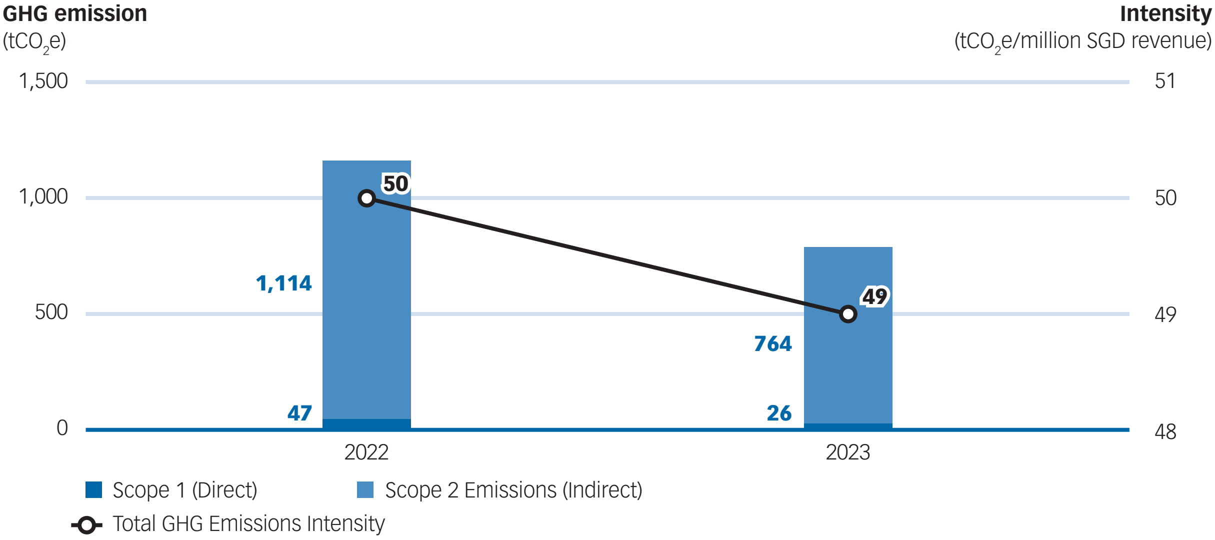
Energy Consumption



Greenhouse Gas Emissions

Manufacturing operations generate greenhouse gas ("GHG") emissions directly from combustion of diesel, consumption of refrigerants at different production stages, including laser-cutting and welding process (Scope 1). Manufacturing and gaming business generate carbon emissions indirectly from purchased electricity (Scope 2).

Greenhouse Gas Emissions



Aggregate carbon emissions during the reporting period amounted to approximately 790 tonnes of carbon dioxide equivalent (tCO_2e). Scope 1 and Scope 2 carbon emissions were approximately 26 tCO_2e and 764 tCO_2e respectively. The carbon emission intensity was 49 tCO_2e per million SGD revenue, showcasing a slight drop compared to that of 2022.

We continue to control emissions and save energy in several ways, in order to contribute to the global effort to mitigate the effects of climate change, to the extent we can. Emissions attributed to purchased electricity constitute a major part of GHG emissions we generate, and we constantly strive to reduce electricity consumption. In October 2022, the Group finished the installation of a 2,765 m^2 rooftop solar system with a capacity of generating 248.5 kWp electricity at our Singapore factory. In 2023, the solar panels were fully utilised to generate 301,844 kWh of electricity, equivalent to reducing 125.8 tCO_2e[11]. This investment in renewable energy aligns with the Group's environmental targets and showcases a proactive approach toward minimising our carbon footprint.

[11] The emission factor is taken with reference to "Singapore Energy Statistics 2023" published by the Energy Market Authority (EMA) and is equal to 0.4168kg/kWh. Through reducing purchased electricity, the Group prevents approximately 125.8 tonnes of CO_2e from being emitted into the atmosphere.

Environmental, Social and Governance Report

The rooftop solar systems

The Group continues to explore all possible measures to achieve our environmental targets. Some existing measures have been taken are listed below:

- Electricity consumption in our factories, production areas, warehouses and other sites is closely monitored on a monthly basis in accordance with internal energy consumption guidelines.
- In offices, electrical equipment and lighting are switched off when not in use.
- In offices, the room temperature is set at 23°C or higher.

PERFORMANCE DATA SUMMARY

Social Performance in 2023			
Social KPIs	**2023**	2022	YoY Change
Total Headcount	**207**	209	–1%
By Geography			
Singapore	**51**	55	–7%
Malaysia	**94**	104	–10%
Hong Kong	**14**	12	17%
The PRC	**48**	38	26%
By Age			
<31	**88**	84	5%
31–50	**99**	108	–8%
>50	**20**	17	18%
By Gender			
Male	**159**	168	–5%
Female	**48**	41	17%
By Education Level			
Bachelor's degree or above	**62**	49	27%
Below bachelor's degree	**145**	160	–9%
By Function			
Production	**113**	127	–11%
Office	**82**	67	22%
Managerial	**12**	15	–20%
By Employment Type			
Part-time	**1**	0	N/A
Full-time	**206**	209	–1%

Social Performance in 2023			
Social KPIs	**2023**	2022	YoY Change
Employees' Turnover Rate	**31%**	41%	–10%
By Gender			
Male	**24.0%**	31.0%	–7.0%
Female	**6.7%**	10.2%	–3.5%
By Age			
<31	**10.1%**	19.3%	–9.2%
31–50	**19.2%**	20.4%	–1.2%
>50	**1.4%**	1.5%	–0.1%
By Geography			
Singapore	**11.1%**	9.7%	1.4%
Malaysia	**12.5%**	21.9%	–9.4%
Hong Kong	**2.4%**	1.5%	0.9%
The PRC	**4.7%**	8.1%	–3.4%
Employees' New Hire Rate	**30%**	54%	–24%
By Gender			
Male	**19.7%**	42.2%	–22.5%
Female	**10.1%**	11.7%	–1.6%
By Age			
<31	**13.5%**	28.0%	–14.5%
31–50	**14.9%**	24.4%	–9.5%
>50	**1.4%**	1.5%	–0.1%
By Geography			
Singapore	**9.1%**	9.1%	0
Malaysia	**7.7%**	32.1%	–24.4%
Hong Kong	**3.4%**	1.5%	1.9%
The PRC	**9.6%**	11.2%	–1.6%
Occupational Health and Safety			
Work-related accidents	**0**	0	N/A
Lost days due to work injury	**0**	0	N/A
Work-related fatalities	**0**	0	N/A
Safety training hours	**281.7**	42.5	563%

Social Performance in 2023			
Social KPIs	**2023**	2022	YoY Change
Total Hours of Training	**4,672.7**	8,381.0	–44%
By Gender			
Male	**3,635.2**	6,722.0	–46%
Female	**1,037.5**	1,659.0	–37%
By Function			
Production	**2,402.4**	5,114.0	–53%
Office	**1,985.3**	2,735.0	–27%
Managerial	**285.0**	532.0	–46%
Percentage of Employees Trained	**100%**	100%	0%
By Gender			
Male	**76.8%**	80.4%	–3.6%
Female	**23.2%**	19.6%	3.6%
By Function			
Production	**54.6%**	60.8%	–6.2%
Office	**39.6%**	32.0%	7.6%
Managerial	**5.8%**	7.2%	–1.4%
Average Hours of Training	**22.57**	40.10	–44%
By Gender			
Male	**22.86**	40.01	–43%
Female	**21.61**	40.46	–47%
By Function			
Production	**21.26**	40.27	–47%
Office	**24.21**	40.82	–41%
Managerial	**23.75**	35.47	–33%
Total Number of Suppliers	**284**	314	–10%
By Geographical Regions			
Singapore	**174**	215	–19%
Malaysia	**86**	77	12%
Others	**24**	22	9%
Donation (SGD)	**6,000**	274,000	–98%

Environmental Performance[12] in 2023			
Environmental KPIs	**2023**	2022	YoY Change
Total Resources Consumption			
Total Energy Consumption (GJ)	**6,118**	7,584	–19%
Direct Energy (GJ)	**352**	415	–15%
Purchased Electricity (GJ)	**4,679**	7,122	–34%
Renewable Energy (GJ)	**1,087**	47	2,213%
Total Energy Consumption Intensity (GJ/million SGD revenue)	**381**	325	17%
Total Water Consumption (cubic metres)	**4,508**	4,248	6%
Total Water Consumption Intensity (cubic metres/million SGD revenue)	**281**	182	54%
Packaging Materials			
Bubble wrap (rolls)	**275**	1,210	–77%
Film wrap (rolls)	**4,882**	12,184	–60%
Carton paper (rolls)	**77**	82	–6%
Packaging Materials Intensity (rolls/million SGD revenue)	**326**	578	–44%
Air Emissions			
Sulphur oxides (SO_x) (kg)	**0.16**	0.19	–16%
Nitrogen oxides (NO_x) (kg)	**114.45**	146.41	–22%
Particulate matter (PM) (kg)	**10.28**	12.79	–20%
Greenhouse Gases Emissions[13]			
Total GHG emissions (tCO_2e)	**790**	1,161	–32%
Scope 1 (tCO_2e)	**26**	47	–45%
Scope 2 (tCO_2e)	**764**	1,114	–31%
GHG emissions (tCO_2e/million SGD revenue)	**49**	50	–2%
Waste			
Hazardous waste (litres)	**1,300**	3,200	–59%
Hazardous Waste Intensity (litres/million SGD revenue)	**81**	137	–41%
Non-hazardous waste (tonnes)	**71**	142	–50%
Non-hazardous Waste Intensity (tonnes/million SGD revenue)	**4**	6	–33%

12 Environmental KPIs stated in the report are calculated with reference to HKEX's "How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs".

13 GHG emissions data are presented in terms of tonnes of CO_2 equivalent, with reference to, including but not limited to, "How to prepare on ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEX, "China's Regional Grid Baseline Emission Factors for Emission Reduction Projects 2022" issued by the Ministry of Ecology and Environment of the PRC, "Sustainability Report 2022" issued by the HK Electric Investment Limited, "Singapore Energy Statistics 2023" published by the Energy Market Authority (EMA), and "Grid Emission Factor (GEF) in Malaysia, 2017-2021" issued by The Malaysia Energy Information Hub (MEIH).

HKEX ESG CONTENT INDEX

Aspects	HKEX ESG Reporting Guide Requirements	Section/Remarks
Governance Structure		
Mandatory Disclosure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	ESG Management Approach; Board Statement
Reporting Principles		
Mandatory Disclosure	A description of, an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: a) **Materiality:** Topics considered material to sustainability by different stakeholder groups are identified by the necessary interactions. b) **Quantitative:** Data are presented in a manner conducive to comparison for year-on-year changes in performance. Performance Data Summary explicates the standards used for calculation of environmental performance indicators. c) **Balance:** Transparency is a major consideration and the report provides information on both positive and negative impacts. d) **Consistency:** Consistency and comparability of information is ensured by using the appropriate statistical methods.	**Materiality:** The Group identified the material topics of the Group through stakeholder engagement survey and ensured these topics have been addressed in the report. **Quantitative:** The report discloses historical and current key performance indicators ("KPI") from 2022 to 2023. An overview of FSM's 2023 ESG data can be found in the Performance Data Summary of the Appendix. **Balance:** All relevant data and material topics, regardless of whether it has a positive or negative connotation, have been disclosed in a transparent manner. **Consistency:** Unless otherwise indicated, the data calculation methodologies for all derived figures are consistent with our 2022 ESG Report, allowing direct comparisons.
Reporting Boundary		
Mandatory Disclosure	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Reporting Boundary

Aspects; General Disclosure; 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; Waste; Greenhouse Gas Emissions
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Greenhouse Gas Emissions
	KPI A1.3	Total hazardous waste generated (in tonnes) and, where appropriate, intensity.	Waste; Performance Data Summary
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Waste; Performance Data Summary
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Management
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	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; Performance Data Summary
	KPI A2.2	Water consumption in total and intensity.	Water; Performance Data Summary
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management

Aspects; General Disclosure; KPIs	HKEX ESG Reporting Guide Requirements		Section/Remarks
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water; Environmental Management
	KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Materials We are optimising the data collection of packaging materials in tonnes.
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; Noise Management; Greenhouse Gas Emissions
	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; Noise Management; Greenhouse Gas Emissions
Aspect A4: Climate Change	**General Disclosure** Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Tackling Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Tackling Climate Change

Aspects; General Disclosure; 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 relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other employee benefits and welfare.		Workforce Profile; Human Capital Development
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Workforce Profile; Performance Data Summary
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Human Capital Development; Performance Data Summary
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 occurred in each of the past three years including the reporting year.	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

Aspects; General Disclosure; KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
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
	KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Human Capital Development; Performance Data Summary
	KPI B3.2 The average training hours completed per employee by gender and employee category.	Human Capital Development; Performance Data Summary
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.	Human Capital Development
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Human Capital Development
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Human Capital Development The Group has management measures in place to guard against recruiting child or forced labour. The risk of recruiting child or forced labour is minimal at the Group's location of operation.

Aspects; General Disclosure; 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.	Supply Chain Management; 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 We are optimising the data collection of the number of suppliers being assessed.
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and 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 Due to the Group's business nature, our operation does not involve significant labelling issues.
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to our business nature, we are not subject to product recall issues.
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Customer Experience

Aspects; General Disclosure; KPIs	HKEX ESG Reporting Guide Requirements		Section/Remarks
	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
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	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 The Group has measures to give back to the communities where it has operations on a regular basis.
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Contribution
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	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") which are set out on pages 71 to 128, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with 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 MATTERS

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

Key audit matter identified in our audit is related to revenue recognition from sales of goods.

Revenue recognition from sales of goods

Key Audit Matter	How our audit addressed the Key Audit Matter
Refer to Note 2.2.11 for the Group's accounting policies on revenue recognition and Note 6 for the analysis of revenue of the Group for the year ended 31 December 2023. The Group recognised revenue from sales of goods to customers amounted to approximately S$15,556,000 for the year ended 31 December 2023. 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 large 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 of goods 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 and accepted the goods and invoices billed were reviewed prior to recording to the accounting system. We substantively tested the sales of goods 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 of goods transactions that took place for a specified period 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 sales of goods related journal entries, which were selected based on certain risk-based criteria. We inquired management of their nature and validated the samples selected to supporting documents. Based on the procedures performed above, we found that the Group's sales of goods transactions were recognised in a manner consistent with the Group's revenue recognition accounting policies.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in FSM Holdings Limited 2023 Annual Report (the "annual report") (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available 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.

When we read the other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate action considering our legal rights and obligations.

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 IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The 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.

- 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.

Independent Auditor's Report

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, 25 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Note	2023 S$'000	2022 S$'000
Revenue	6	**16,071**	23,301
Cost of sales	9	**(10,131)**	(12,591)
Gross profit		**5,940**	10,710
Other income	7	**19**	43
Other losses, net	8	**(944)**	(143)
Selling and distribution expenses	9	**(758)**	(220)
Administrative expenses	9	**(5,510)**	(5,191)
Research and development expenses for mobile games	9	**(2,816)**	(2,094)
Operating (loss)/profit		**(4,069)**	3,105
Finance income		**659**	162
Finance costs		**(717)**	(53)
Finance (costs)/income, net	11	**(58)**	109
(Loss)/profit before income tax		**(4,127)**	3,214
Income tax expense	12	**(749)**	(1,153)
(Loss)/profit for the year attributable to owners of the Company		**(4,876)**	2,061
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company basic and diluted (Singapore cents)	13	**(0.49)**	0.21

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 2023

	2023 **S$'000**	2022 S$'000
(Loss)/profit for the year	**(4,876)**	2,061
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Currency translation differences	**235**	(219)
Other comprehensive income/(loss) for the year, net of tax	**235**	(219)
Total comprehensive (loss)/income for the year attributable to owners of the Company	**(4,641)**	1,842

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 2023

	Note	2023 S$'000	2022 S$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**10,685**	12,149
Right-of-use assets	16	**629**	489
Intangible assets	17	**15**	27
Rental deposit		**72**	–
		11,401	12,665
Current assets			
Inventories	19	**1,756**	3,251
Trade and other receivables	20	**3,043**	4,407
Pledged bank deposits	21	**–**	52
Short-term bank deposits	21	**49**	10,903
Cash and cash equivalents	21	**38,936**	12,577
		43,784	31,190
Total assets		**55,185**	43,855
Equity			
Equity attributable to owners of the Company			
Share capital	23	**1,695**	1,695
Reserves	24	**25,367**	20,855
Retained earnings	24	**7,050**	11,972
Total equity		**34,112**	34,522

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 S$'000	2022 S$'000
Liabilities			
Non-current liabilities			
Borrowings	27	**13,548**	272
Lease liabilities	16	**395**	448
Deferred income tax liabilities	22	**931**	1,112
Provision for reinstatement cost	25	**95**	91
		14,969	1,923
Current liabilities			
Trade and other payables	25	**4,461**	5,928
Contract liabilities	26	**303**	–
Current income tax liabilities		**819**	1,164
Borrowings	27	**147**	92
Lease liabilities	16	**374**	226
		6,104	7,410
Total liabilities		**21,073**	9,333
Total equity and liabilities		**55,185**	43,855

The consolidated financial statements on pages 71 to 128 were approved by the Board of Directors on 25 March 2024 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 2023

	Share capital S$'000 (Note 23)	Reserves S$'000 (Note 24)	Retained earnings S$'000	Total equity S$'000
Balance as at 1 January 2022	1,695	21,074	9,911	32,680
Comprehensive income				
Profit for the year	–	–	2,061	2,061
Other comprehensive loss				
Currency translation differences	–	(219)	–	(219)
Total comprehensive income for the year	–	(219)	2,061	1,842
Balance as at 31 December 2022	1,695	20,855	11,972	34,522
Balance as at 1 January 2023	**1,695**	**20,855**	**11,972**	**34,522**
Comprehensive loss				
Loss for the year	**–**	**–**	**(4,876)**	**(4,876)**
Other comprehensive income				
Currency translation differences	**–**	**235**	**–**	**235**
Total comprehensive loss for the year	**–**	**235**	**(4,876)**	**(4,641)**
Transactions with owners				
Appropriation of statutory reserves	**–**	**46**	**(46)**	**–**
Deemed contribution from controlling shareholder (Note 27)	**–**	**4,231**	**–**	**4,231**
Total transactions with owners	**–**	**4,277**	**(46)**	**4,231**
Balance as at 31 December 2023	**1,695**	**25,367**	**7,050**	**34,112**

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 2023

	Note	2023 S$'000	2022 S$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	28(a)	**(236)**	4,473
Income tax paid		**(1,262)**	(609)
Net cash (used in)/generated from operating activities		**(1,498)**	3,864
Cash flows from investing activities			
Purchase of property, plant and equipment		**(13)**	(812)
Purchase of computer software		**–**	(5)
Proceeds from disposals of property, plant and equipment		**1**	76
Placement of short-term and pledged bank deposits		**–**	(8,062)
Receipt of short-term and pledged bank deposits		**11,107**	4,215
Interest received		**659**	162
Net cash generated from/(used in) investing activities		**11,754**	(4,426)
Cash flows from financing activities			
Proceeds from shareholder's loan	28(b)	**16,770**	–
Repayment of other banking facilities	28(b)	**(142)**	(244)
Principal payment of lease liabilities	28(b)	**(418)**	(478)
Interest paid		**(60)**	(48)
Net cash generated from/(used in) financing activities		**16,150**	(770)
Net increase/(decrease) in cash and cash equivalents		**26,406**	(1,332)
Cash and cash equivalents at beginning of the year		**12,577**	13,932
Currency translation differences		**(47)**	(23)
Cash and cash equivalents at end of the year	21	**38,936**	12,577

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 online mobile games. The Company was incorporated in the Cayman Islands with limited liabilities on 5 February 2018 as an exempted company. 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 ("SGD" or "S$"), unless otherwise stated.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION

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 IFRS Accounting Standards 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 IFRS Accounting Standards 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 4.

(a) New standards and amendments to existing standards adopted by the Group

The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2023. The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
IAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules

2 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (Continued)

(b) Amendment to existing standards not yet adopted

The following amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IFRS 16 (Amendments)	Lease Liability in a Sales and Leaseback	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These 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 Summary of material accounting policies

2.2.1 Principles of consolidation

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 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.2 Foreign currency translation

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 S$, which is the Company's functional and presentation currency.

2.2.3 Property, plant and equipment

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 2.3.3).

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

2 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.4 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 profit or loss and presented in "other gains/(losses), net", together with foreign exchange gains and losses. Impairment losses are represented as separate line item in the statement of profit or loss.

(d) Impairment

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

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 Notes 3.1(b)(iii) and 20 for further details.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.5 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.

2.2.6 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 20 for further information about the Group's accounting for trade receivables and Note 2.2.4(d) for Group's impairment policies.

2.2.7 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. 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. Other short-term bank deposits that are viewed by the Group for investment purposes are not considered cash and cash equivalents by the Group.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.8 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.

Borrowing costs are expensed in the period in which they are incurred.

2.2.9 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the 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.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.9 Current and deferred income tax (Continued)

(b) 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 ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.10 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 (the "MPF Scheme") (for Hong Kong) on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The Group's subsidiaries in the People's Republic of China (the "PRC") also participate in defined contribution retirement schemes covering its full time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. 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 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.11 Revenue recognition

(a) 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.

(b) 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, revenue is recognised over time.

(c) 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 servers, 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 ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.11 Revenue recognition (Continued)

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

Revenue is recognised when the Group satisfies its performance obligations. Giving there is an explicit or implicit obligation of the Group to maintain the virtual items operated on the Group's gaming server platforms and allow users to gain access to them, revenue is recognised over the estimated lifespans of the respective virtual items (as a release from contract liabilities). The estimated lifespans of different virtual items are determined by the management based on either the expected user relationship periods or the stipulated period of validity of the relevant virtual items depending on the respective term of virtual items.

2.2.12 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.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.12 Leases (Continued)

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.

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 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.13 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.

These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses 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. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

All research and development expenditures were recognised in profit or loss as they do not meet the recognition criteria for capitalisation.

2.2.14 Contract liabilities

Contract liabilities primarily consist of the unamortised revenue from sales of in-game virtual items for mobile games, where there is still an implied obligation to be provided by the Group to game players.

2.2.15 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, including reinstatement costs, 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.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (Continued)

2.2.16 Intangible assets

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.

2.3 Summary of other accounting policies

2.3.1 Principles of consolidation

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.

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.

2.3.2 Foreign currency translation

(a) 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), net".

2 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.3 Summary of other accounting policies (Continued)

2.3.2 Foreign currency translation (Continued)

(b) 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.

2.3.3 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.

2.3.4 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 are 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.

2.3.5 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.

2.3.6 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 SUMMARY OF ACCOUNTING POLICY INFORMATION (CONTINUED)

2.3 Summary of other accounting policies (Continued)

2.3.7 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 profit or loss 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 compensation, and other government grants (stay-home notice subsidy) are shown separately as "Other Income".

2.3.8 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 part of 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).

2.3.9 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

3 FINANCIAL RISK MANAGEMENT

3.1 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Singapore, Malaysia, Hong Kong and the PRC with majority of the transactions settled in S$, United States Dollars ("USD" or "US$"), Malaysian Ringgit ("MYR"), China Renminbi ("RMB") and Hong Kong Dollars ("HKD" or "HK$"). Management considers that the Group is exposed to foreign exchange risk, primarily US$, 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.

The table below summaries the changes in the Group's post-tax results in response to reasonably possible changes in foreign exchange rates to which the Group has significant exposure at the statement of financial position date. The analysis has been determined assuming the general depreciation trend in foreign exchange rates against functional currency in respective countries had occurred at the statement of financial position date and that all other variables remain constant.

		2023		2022	
		Hypotheical depreciation in foreign exchange rate	**Positive/ (negative) effect on post-tax results S$'000**	Hypotheical depreciation in foreign exchange rate	Positive/ (negative) effect on post-tax results S$'000
Functional currency	Foreign currency				
SGD	USD	**5%**	**(676)**	5%	(366)
SGD	HKD	**5%**	**(316)**	5%	(10)
HKD	SGD	**5%**	**9**	5%	–

As at 31 December 2023, foreign exchange risks on financial assets and liabilities denominated in RMB and MYR were insignificant to the Group.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 2023 would have been approximately S$9,000 lower/higher (2022: approximately S$7,000 lower/higher).

(b) Credit risk

Credit risk arises from cash at bank, bank deposits and contractual cash flows of debt instruments carried at amortised cost, 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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(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 2023 or 31 December 2022 and the corresponding historical credit losses experienced within the periods. 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 which include 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 Group considers the risk of credit loss of the receivable past due more than 120 days 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 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 and shareholder.

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
As at 31 December 2023						
Trade and other payables (excluding accrued employee benefits expenses)	**–**	**2,216**	**–**	**–**	**–**	**2,216**
Borrowings	**–**	**161**	**161**	**17,015**	**–**	**17,337**
Lease liabilities	**–**	**402**	**182**	**55**	**303**	**942**
	–	**2,779**	**343**	**17,070**	**303**	**20,495**
As at 31 December 2022						
Trade and other payables (excluding accrued employee benefits expenses)	–	3,581	–	–	–	3,581
Borrowings	–	105	105	183	–	393
Lease liabilities	–	250	134	158	319	861
	–	3,936	239	341	319	4,835

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, 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 borrowings and lease liabilities divided by total equity as shown in statement of financial position.

The gearing ratios as at 31 December 2023 and 2022 were as follows:

	2023 **S$'000**	2022 S$'000
Total borrowings and lease liabilities	**14,464**	1,038
Total equity	**34,112**	34,522
Gearing ratio	**42.4%**	3.0%

Increase in the gearing ratio from 3.0% as at 31 December 2022 to 42.4% as at 31 December 2023 was primarily due to the increase in the borrowings during the year ended 31 December 2023.

3.3 Fair value estimation

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

4 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) Taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

The Chief Operating Decision Maker ("CODM"), including 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.

5 SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December 2023		
	Manufacturing business S$'000	Online business S$'000	Total S$'000
Reportable segment revenue (Note 6)			
Point in time	15,556	–	15,556
Overtime	287	228	515
	15,843	228	16,071
Reportable segment results	3,702	(5,688)	(1,986)
Corporate income			258
Corporate expenses			(2,399)
Loss before income tax			(4,127)
Other segment information:			
Additions to property, plant and equipment	198	26	
Additions to right-of-use asset	29	502	
Finance income	400	1	
Finance costs	(49)	(15)	
Depreciation and amortisation	(1,549)	(291)	

5 SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December 2022		
	Manufacturing business S$'000	Online business S$'000	Total S$'000
Reportable segment revenue (Note 6)			
Point in time	22,543	–	22,543
Overtime	721	37	758
	23,264	37	23,301
Reportable segment results	8,017	(3,796)	4,221
Corporate income			98
Corporate expenses			(1,105)
Profit before income tax			3,214
Other segment information:			
Additions to property, plant and equipment	1,187	12	
Additions to right-of-use asset	18	–	
Finance income	141	1	
Finance costs	(36)	(10)	
Depreciation and amortisation	(1,544)	(302)	

5 SEGMENT INFORMATION (CONTINUED)

(c) Segment assets

All assets are allocated based on the operations of the segment and the physical location of the assets.

	2023 S$'000	2022 S$'000
Manufacturing business	**32,147**	41,837
Online business	**2,126**	973
Total segment assets	**34,273**	42,810
Corporate assets	**20,912**	1,045
Total assets	**55,185**	43,855

The total of non-current assets other than financial instruments, breakdown by location of the assets, is shown in the following:

	2023 S$'000	2022 S$'000
Singapore	**8,180**	9,380
Hong Kong	**6**	66
The PRC	**408**	109
Malaysia	**2,807**	3,110
Total non-current assets	**11,401**	12,665

5 SEGMENT INFORMATION (CONTINUED)

(d) Segment liabilities

All liabilities, except for current and deferred income tax liabilities, certain other payables, and certain borrowings that are not managed directly by segments, are allocated to operating segments.

	2023 **S$'000**	2022 S$'000
Manufacturing business	**3,942**	5,932
Online business	**1,608**	589
Total segment liabilities	**5,550**	6,521
Corporate liabilities	**15,523**	2,812
Total liabilities	**21,073**	9,333

(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 breakdown by location of the customers is shown in the table below.

	2023 **S$'000**	2022 S$'000
Singapore	**15,843**	23,264
Other countries	**228**	37
	16,071	23,301

Information about major customers

For the year ended 31 December 2023, revenue generated from the top three customers (2022: two) accounted for approximately 96% (2022: approximately 91%) of the total revenue for the Group. Other individual customers accounted for less than 10% of revenue for the years ended 31 December 2023 and 2022.

	2023 **S$'000**	2022 S$'000
Customer A	**5,670**	12,361
Customer B	**7,851**	8,821
Customer C	**1,952**	1,404*

* The corresponding revenue did not contribute over 10% of total revenue of the Group for the year ended 31 December 2022.

6 REVENUE

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

	2023 S$'000	2022 S$'000
Sale of goods	**15,556**	22,543
Processing services	**287**	721
Sale of in-game virtual items	**228**	37
	16,071	23,301

All processing services contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to theses unsatisfied contracts is not disclosed.

7 OTHER INCOME

	2023 S$'000	2022 S$'000
Scrap sales	**12**	38
Others	**7**	5
	19	43

8 OTHER LOSSES, NET

	2023 S$'000	2022 S$'000
Foreign exchange losses, net	**(945)**	(217)
Gain on disposal of property, plant and equipment	**1**	74
	(944)	(143)

9 EXPENSES BY NATURE

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

	2023 S$'000	2022 S$'000
Cost of inventories sold (Note 19)	**2,980**	5,429
Subcontractor fees	**550**	531
Provision for impairment of inventories (Note 19)	**500**	24
Employee benefit expenses — other (including directors' emoluments)	**6,744**	6,834
Depreciation charge for property, plant and equipment (Note 15)	**1,505**	1,521
Depreciation charge for right-of-use assets (Note 16)	**372**	428
Amortisation of intangible assets (Note 17)	**12**	15
Operating lease expense in respect of short-term leases (Note 16)	**71**	36
Repair and maintenance of property, plant and equipment	**420**	413
Research and development expenses for mobile games (including staffs cost and excluding amortisation charges and depreciation charges)	**2,787**	2,062
Advertisement for mobile games	**637**	–
Commission charged by distribution platforms for mobile games	**32**	8
Bandwidth and server custody fees for mobile games	**70**	37
Auditor's remuneration		
— Audit services	**419**	400
— Non-audit services	**9**	10
Legal and professional fees	**642**	358
Others	**1,465**	1,990
	19,215	20,096
Represented by:		
Cost of sales	**10,131**	12,591
Selling and distribution expenses	**758**	220
Administrative expenses	**5,510**	5,191
Research and development expenses for mobile games	**2,816**	2,094
	19,215	20,096

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 S$'000	2022 S$'000
Wages, salaries, bonuses and allowances	**8,621**	8,118
Defined contribution plans	**443**	508
Others	**112**	109
	9,176	8,735

For Singapore subsidiaries, grant income of S$14,000 had been deducted against employee benefit expenses during the year ended 31 December 2023 under the Progressive Wage Credit Scheme in Singapore (2022: S$93,000 under the Jobs Support Scheme). For Hong Kong subsidiaries, there is no government grant income for the year whereas grant income of S$34,000 was deducted against employee benefit expenses during the year ended 31 December 2022 under Employee Support Scheme under Anti-Epidemic Fund in Hong Kong.

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, the Group can no longer use any of the accrued benefits derived from its mandatory contributions to the MPF Scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has determined that the abolition of the offsetting mechanism has no material impact on the Group's results and financial position for the current or prior periods.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2022: two), whose emoluments were reflected in the analysis presented in Note 32(a) during the year ended 31 December 2023. The emoluments payable to the remaining three individuals (2022: three) are as follows:

	2023 S$'000	2022 S$'000
Wages, salaries, bonuses and allowances	**1,176**	1,095
Defined contribution plans	**21**	26
	1,197	1,121

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following emoluments bands:

	Number of individuals	
	2023	2022
HK$500,000 to HK$1,000,000 (Equivalent to S$85,800 to S$171,600)	**–**	1
HK$1,000,001 to HK$1,500,000 (Equivalent to S$171,601 to S$257,400)	**2**	1
HK$4,000,001 to HK$4,500,000 (Equivalent to S$686,401 to S$772,200)	**1**	1
	3	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.

11 FINANCE (COSTS)/INCOME, NET

	2023 S$'000	2022 S$'000
Finance income		
Bank deposits	**659**	162
Finance costs		
Unwinding of discount on shareholder's loan (Note)	**(653)**	–
Other banking facilities	**(20)**	(5)
Lease liabilities (Note 16)	**(40)**	(43)
Reinstatement costs	**(4)**	(5)
	(717)	(53)
Finance (costs)/income, net	**(58)**	109

Note: It represents non-cash finance costs resulting from unwinding of the discount on the shareholder's loan.

12 INCOME TAX EXPENSE

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

	2023 S$'000	2022 S$'000
Current income tax		
Singapore corporate income tax	**710**	1,245
Malaysia corporate income tax	**186**	124
The PRC corporate income tax	**7**	4
Under/(over) provision in prior year	**18**	(153)
	921	1,220
Deferred income tax (Note 22)	**(172)**	(50)
Over provision in prior year (Note 22)	**–**	(17)
Income tax expense	**749**	1,153

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

	2023 S$'000	2022 S$'000
(Loss)/profit before income tax	**(4,127)**	3,214
Tax calculated at tax rate applicable to (loss)/profit in the countries concerned	**(616)**	781
Under/(over) provision in prior years	**18**	(170)
Income not subject to tax	**(47)**	(11)
Expenses not deductible for tax purposes	**472**	98
Tax losses not recognised	**985**	663
Recognition of previously unrecognised deferred tax	**(1)**	(63)
Tax incentives	**(2)**	(77)
Partial tax exemption	**(60)**	(68)
Income tax expense	**749**	1,153

12 INCOME TAX EXPENSE (CONTINUED)

(a) Singapore corporate income tax

Singapore corporate income tax is calculated at the rate of 17% on the chargeable income of the subsidiaries incorporated in Singapore in accordance with Singapore Income Tax Act during the year ended 31 December 2023 (2022: 17%).

(b) Malaysia corporate income tax

Malaysia corporate income tax is calculated at the rate of 24% on the chargeable income of the subsidiaries incorporated in Malaysia in accordance with Malaysia Income Tax Act during the year ended 31 December 2023 (2022: 24%).

(c) The PRC corporate income tax

According to the Enterprise Income Tax Law and the Implementation of the Enterprise Income Tax Law of the PRC, an entity eligible as a Small Low-profit Enterprise is subject to preferential tax treatments. From 1 January 2023 to 31 December 2024, a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 25% (2022: 12.5%) of its taxable income at a tax rate of 20% (2022: 20%). A subsidiary of the Group is eligible as a Small Low-profit Enterprise and is subject to the relevant preferential tax treatments.

(d) Hong Kong profits tax

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2022: 16.5%). The profits of the group entities not qualifying for the two-tiered profits tax rates regime will be continue to be taxed at a rate of 16.5% (2022: 16.5%). The Group's subsidiaries incorporated in Hong Kong are not provided for Hong Kong profits tax as there is no assessable profit arising in and derived from Hong Kong for the year ended 31 December 2023 (2022: Nil).

(e) 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 2023 and 2022.

13 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2023	2022
(Loss)/profit attributable to owners of the Company (S$'000)	**(4,876)**	2,061
Weighted average number of ordinary shares in issue (thousand)	**1,000,000**	1,000,000
Basic (loss)/earnings per share (Singapore cents)	**(0.49)**	0.21

(b) Diluted

For the years ended 31 December 2023 and 2022, diluted (loss)/earnings per share equals to basic (loss)/earnings per share as there was no potential dilutive shares.

14 SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2023 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	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
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

14 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Particulars of issued share capital	Equity interest attributable to the Group	Principal activities
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 MYR1 each	100%	Handling of internal human resources and administrative matters
FSM Technologies (M) Sdn Bhd	Malaysia, 9 November 2000	1,000,000 shares of MYR1 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 online mobile games
Beijing Aspiration Dance Technology Co., Ltd.*	The PRC, 17 June 2020	RMB3,000,000	100%	Development of online mobile games
廣州湯米網路科技有限公司*	The PRC, 28 June 2020	RMB5,000,000	100%	Dormant

* These are limited liability companies registered in the PRC under relevant PRC law.

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and 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 2022					
Cost	13,290	16,351	1,649	607	31,897
Accumulated depreciation	(3,662)	(13,651)	(1,358)	(541)	(19,212)
Net book value	9,628	2,700	291	66	12,685
Year ended 31 December 2022					
Opening net book amount	9,628	2,700	291	66	12,685
Additions	–	1,160	30	9	1,199
Disposals	–	(2)	–	–	(2)
Depreciation (Note 9)	(267)	(1,101)	(129)	(24)	(1,521)
Currency translation differences	(173)	(29)	(7)	(3)	(212)
Closing net book amount	9,188	2,728	185	48	12,149
As at 31 December 2022					
Cost	13,111	15,476	1,657	613	30,857
Accumulated depreciation	(3,923)	(12,748)	(1,472)	(565)	(18,708)
Net book value	9,188	2,728	185	48	12,149
Year ended 31 December 2023					
Opening net book amount	**9,188**	**2,728**	**185**	**48**	**12,149**
Additions	**30**	**81**	**98**	**15**	**224**
Disposals	**–**	**–**	**–**	**–**	**–**
Depreciation (Note 9)	**(264)**	**(1,109)**	**(106)**	**(26)**	**(1,505)**
Currency translation differences	**(157)**	**(23)**	**(2)**	**(1)**	**(183)**
Closing net book amount	**8,797**	**1,677**	**175**	**36**	**10,685**
As at 31 December 2023					
Cost	**12,977**	**15,385**	**1,736**	**584**	**30,682**
Accumulated depreciation	**(4,180)**	**(13,708)**	**(1,561)**	**(548)**	**(19,997)**
Net book value	**8,797**	**1,677**	**175**	**36**	**10,685**

Notes:

(i) As at 31 December 2023, the carrying amount of a freehold land in Malaysia is approximately S$832,000 (2022: S$883,000). See Note 2.2.3 for Group's depreciation policies.

(ii) As at 31 December 2023, two machineries of approximately S$632,000 serves as collateral for other banking facilities (2022: a machinery of approximately S$538,000).

16 LEASES

(a) Amounts recognised in the statement of financial position

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

	2023 S$'000	2022 S$'000
Right-of-use assets		
Land and office	**629**	489
Lease liabilities		
Non-current	**395**	448
Current	**374**	226
	769	674

Additions to the right-of-use assets during the year ended 31 December 2023 was S$531,000 (2022: S$18,000).

(b) Amounts recognised in the statement of profit or loss

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

	2023 S$'000	2022 S$'000
Depreciation charge for right-of-use assets (Note 9)	**(372)**	(428)
Interest expenses (included in finance costs) (Note 11)	**(40)**	(43)
Expenses relating to short-term leases (included in cost of sales and administrative expenses) (Note 9)	**(71)**	(36)

The total cash outflow for leases during the year ended 31 December 2023 was S$529,000 (2022: S$557,000).

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

The Group rents lands from the Singapore Government and office spaces from third parties in Hong Kong and Beijing. 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 for Beijing is made for a period of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(d) Extension and termination options

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

17 INTANGIBLE ASSETS

	Computer software S$'000
As at 1 January 2022	
Cost	69
Accumulated amortisation	(32)
Net book value	37
Year ended 31 December 2022	
Opening net book amount	37
Additions	5
Amortisation (Note 9)	(15)
Closing net book amount	27
As at 31 December 2022	
Cost	74
Accumulated amortisation	(47)
Net book value	27
Year ended 31 December 2023	
Opening net book amount	**27**
Amortisation (Note 9)	**(12)**
Closing net book amount	**15**
As at 31 December 2023	
Cost	**74**
Accumulated amortisation	**(59)**
Net book value	**15**

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 S$'000	2022 S$'000
Financial assets measured at amortised cost		
— Rental deposit	**72**	–
— Trade and other receivables	**2,743**	4,260
— Pledged bank deposits	**–**	52
— Other short-term bank deposits	**49**	10,903
— Cash and cash equivalents	**38,936**	12,577
	41,800	27,792
Financial liabilities measured at amortised cost		
— Trade and other payables (excluding accrued employee benefits expenses)	**2,216**	3,581
— Borrowings	**13,695**	364
— Lease liabilities	**769**	674
	16,680	4,619

19 INVENTORIES

	2023 S$'000	2022 S$'000
Raw materials	**1,166**	2,074
Work in progress	**629**	868
Finished goods	**624**	472
	2,419	3,414
Provision for impairment	**(663)**	(163)
	1,756	3,251

The cost of inventories included in cost of sales amounted to S$2,980,000 for the year ended 31 December 2023 (2022: S$5,429,000).

During the year, the Group has an additional provision for impairment of inventories of S$500,000 which was included in cost of sales for the year ended 31 December 2023 (2022: S$24,000).

20 TRADE AND OTHER RECEIVABLES

	2023 S$'000	2022 S$'000
Trade receivables	**2,558**	3,999
Less: loss allowance	**–**	–
Trade receivables, net	**2,558**	3,999
Prepayments	**300**	147
Deposits	**73**	151
Other receivables	**112**	110
	3,043	4,407

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:

	2023 S$'000	2022 S$'000
0 to 30 days	**1,430**	2,050
31 to 60 days	**1,045**	1,764
61 to 90 days	**75**	131
Over 90 days	**8**	54
	2,558	3,999

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. See Note 3.1(b)(iii) for details.

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

	2023 S$'000	2022 S$'000
SGD	**1,411**	2,007
USD	**1,143**	2,176
MYR	**109**	93
HKD	**358**	53
RMB	**22**	78
	3,043	4,407

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

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	2023 S$'000	2022 S$'000
Cash at banks	19,932	12,577
Short-term bank deposits with original maturities of three months or less	19,004	–
Cash and cash equivalents	38,936	12,577
Other short-term bank deposits	49	10,903
Pledged bank deposits	–	52
	38,985	23,532

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 and short-term bank deposits with original maturities of three months or less as at 31 December 2023 bear interests at an average rate of 3.68% (2022: Nil) per annum. Other short-term and pledged bank deposits as at 31 December 2023 bear interests at an average rate of 2.35% (2022: 1.25%) per annum.

Pledged bank deposits were pledged for certain banking facilities as at 31 December 2022 (Note 27).

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

	2023 S$'000	2022 S$'000
USD	15,253	17,972
SGD	1,273	4,328
RMB	602	473
HKD	21,555	517
MYR	297	237
Japanese yen	5	5
	38,985	23,532

The Group's Renminbi balances are placed with banks in the PRC. The conversion of these Renminbi denominated balances into foreign currencies in the PRC is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

22 DEFERRED INCOME TAX

	2023 S$'000	2022 S$'000
Deferred income tax liabilities	**(931)**	(1,112)

The movement in deferred income tax liabilities of the Group during the year is as follows:

	2023 S$'000	2022 S$'000
Deferred income tax liabilities		
Beginning of the year	**(1,112)**	(1,191)
Credited to the consolidated statements of profit or loss (Note 12)	**172**	50
Over provision in prior year (Note 12)	**–**	17
Translation differences	**9**	12
End of the year	**(931)**	(1,112)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred Income tax liabilities

	Accelerated tax depreciation S$'000	Right-of-use assets S$'000	Total S$'000
As at 1 January 2022	(1,226)	(72)	(1,298)
Credited to the consolidated statement of profit or loss	32	7	39
Over provision in prior year	17	–	17
Translation differences	12	–	12
As at 31 December 2022	(1,165)	(65)	(1,230)
As at 1 January 2023	**(1,165)**	**(65)**	**(1,230)**
Credited/(charged) to the consolidated statement of profit or loss	**123**	**(4)**	**119**
Translation differences	**11**	**–**	**11**
As at 31 December 2023	**(1,031)**	**(69)**	**(1,100)**

22 DEFERRED INCOME TAX (CONTINUED)

Deferred Income tax assets

	Provision for impairment of inventories S$'000	Unrealised profits S$'000	Lease liabilities S$'000	Others S$'000	Total S$'000
As at 1 January 2022	–	–	107	–	107
Credited/(charged) to the consolidated statement of profit or loss	–	24	(13)	–	11
As at 31 December 2022	–	24	94	–	118
As at 1 January 2023	**–**	**24**	**94**	**–**	**118**
Credited/(charged) to the consolidated statement of profit or loss	**51**	**(14)**	**(3)**	**19**	**53**
Translation differences	**(1)**	**–**	**–**	**(1)**	**(2)**
As at 31 December 2023	**50**	**10**	**91**	**18**	**169**

The expiry of unrecognised tax losses are as follows:

	2023 S$'000	2022 S$'000
Tax losses expiring in 5 years	**3**	–
Tax losses expiring after 5 years	**–**	9
Tax losses without expiry date	**14,320**	8,780
At 31 December	**14,323**	8,789

As at 31 December 2023, the unrecognised deferred income tax assets in respect of the above unrecognised tax losses amounted to S$2,364,000 (2022: S$1,451,000) in respect of the above tax losses amounted to S$14,323,000 (2022: S$8,789,000). The tax losses of S$3,000 in 2023 will be expired in 2028.

Deferred income tax liabilities of approximately S$20,000 (2022: S$14,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of a subsidiary in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. As at 31 December 2023, total unremitted earnings for which deferred withholding tax liability has not been recognised amounted to approximately S$404,000 (2022: S$287,000).

23 SHARE CAPITAL

	Number of shares	Share capital S$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 December 2023 and 31 December 2022	2,000,000,000	3,390
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 31 December 2023 and 31 December 2022	1,000,000,000	1,695

24 RESERVES

	Share premium S$'000	Other Reserves S$'000	Exchange reserve S$'000	Retained earnings S$'000	Total S$'000
Balance as at 1 January 2022	18,605	2,594	(125)	9,911	30,985
Comprehensive income					
Profit for the year	–	–	–	2,061	2,061
Other comprehensive loss					
Currency translation differences	–	–	(219)	–	(219)
Total comprehensive income for the year	–	–	(219)	2,061	1,842
Balance as at 31 December 2022	18,605	2,594	(344)	11,972	32,827
Balance as at 1 January 2023	**18,605**	**2,594**	**(344)**	**11,972**	**32,827**
Comprehensive loss					
Loss for the year	**–**	**–**	**–**	**(4,876)**	**(4,876)**
Other comprehensive income					
Currency translation differences	**–**	**–**	**235**	**–**	**235**
Total comprehensive loss for the year	**–**	**–**	**235**	**(4,876)**	**(4,641)**
Transactions with owners					
Appropriation of statutory reserves	**–**	**46**	**–**	**(46)**	**–**
Deemed contribution from controlling shareholder (Note 27)	**–**	**4,231**	**–**	**–**	**4,231**
Total Transactions with owners	**–**	**4,277**	**–**	**(46)**	**4,231**
Balance as at 31 December 2023	**18,605**	**6,871**	**(109)**	**7,050**	**32,417**

25 TRADE AND OTHER PAYABLES AND PROVISION FOR REINSTATEMENT COST

	2023 S$'000	2022 S$'000
Non-current		
Provision for reinstatement cost	**95**	91
Current		
Trade payables	**581**	1,778
Other payables and accruals		
— Accrued expenses	**3,648**	3,457
— Others	**232**	693
	4,461	5,928
Total	**4,556**	6,019

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

	2023 S$'000	2022 S$'000
0 to 30 days	**185**	365
31 to 60 days	**233**	644
61 to 90 days	**98**	187
Over 90 days	**65**	582
	581	1,778

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:

	2023 S$'000	2022 S$'000
SGD	**2,942**	4,353
MYR	**465**	593
RMB	**378**	372
HKD	**344**	212
USD	**332**	398
	4,461	5,928

26 CONTRACT LIABILITIES

	2023 S$'000	2022 S$'000
Sales of in-game virtual items	**303**	–
	303	–

Contract liabilities primarily consist of the unamortised revenue from sales of in-game virtual items for mobile games, where there is still an implied obligation to be provided by the Group to game players.

The Group expects to deliver the services to satisfy the remaining performance obligation of these contract liabilities within one year or less.

27 BORROWINGS

	2023 S$'000	2022 S$'000
Shareholder's loan	**13,262**	–
Other banking facilities	**433**	364
Total borrowings	**13,695**	364
Of which		
Non-current liabilities	**13,548**	272
Current liabilities	**147**	92
	13,695	364

Repayment schedules of the Group's borrowings are as follows:

	2023 S$'000	2022 S$'000
Within 1 year	**147**	92
Between 1 and 2 years	**153**	96
Between 2 years to 5 years	**13,395**	176
	13,695	364

27 BORROWINGS (CONTINUED)

The average effective interest rates of the Group's bank borrowings (excluding interest-free shareholder's loan) per annum were set out as follows:

	2023	2022
Other banking facilities	**3.90%**	3.53%

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

Shareholder's loan represented shareholder's loan with a total amount of HK$100 million (equivalent to S$16.77 million) provided by Luxuriant East Limited, a company wholly-owned by Mr. Li. The shareholder's loan is interest-free, unsecured and has a term of five years. No transaction cost was incurred. The difference between this loan's principal amount and this loan's present value discounted using the prevailing market rate of interest was initially recognised as deemed contribution from controlling shareholder and was included in other reserves.

The Board (including all independent non-executive Directors who attended the Board meeting but excluding Mr. Li who is required to abstain from voting at the Board meeting because of his interest in the transaction under the Listing Rules) is of the view that the Shareholder's Loan is conducted on normal commercial terms or better to the Company. As the Shareholder's Loan is not secured by any assets of the Group and is conducted on normal commercial terms or better, the Shareholder's Loan is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Other banking facilities mainly represent the financing arrangements between the Group and banks for the acquisition of a machinery during the year ended 31 December 2023 (2022: same). The other banking facilities were secured by two machineries as at 31 December 2023 (2022: pledged deposits and a machinery) (Notes 21 and 15(ii)).

28 CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

	2023 S$'000	2022 S$'000
(Loss)/profit before income tax	**(4,127)**	3,214
Adjustments for:		
Depreciation of property, plant and equipment	**1,505**	1,521
Depreciation of right-of-use assets	**372**	428
Amortisation of intangible asset	**12**	15
Gain on disposal of property, plant and equipment	**(1)**	(74)
Provision for impairment of inventories	**500**	24
Finance costs/(income), net	**58**	(109)
Exchange loss	**313**	–
Operating (loss)/profit before working capital changes	**(1,368)**	5,019
Changes in working capital:		
— inventories	**921**	(1,714)
— trade and other receivables and rental deposit	**1,256**	(433)
— trade and other payables	**(1,353)**	1,601
— contract liabilities	**308**	–
Cash (used in)/generated from operations	**(236)**	4,473

28 CASH FLOW INFORMATION (CONTINUED)

(b) Liabilities from financing activities

	Shareholder's loan S$'000	Other banking facilities S$'000	Lease liabilities S$'000
As at 1 January 2022	–	221	1,134
Additions (Notes 28(c) and 16(a))	–	387	18
Cash flows — principal elements	–	(244)	(478)
Cash flows — interest elements	–	(5)	(43)
Interest expenses (Note 11)	–	5	43
As at 31 December 2022	**–**	**364**	**674**
Additions (Notes 28(c) and 16(a))	**16,770**	**211**	**531**
Cash flows — principal elements	**–**	**(142)**	**(418)**
Cash flows — interest elements	**–**	**(20)**	**(40)**
Deemed contribution from controlling shareholder (Note 27)	**(4,231)**	**–**	**–**
Interest expenses (Note 11)	**653**	**20**	**40**
Exchange differences	**70**	**–**	**(18)**
Liabilities from financing activities as at 31 December 2023	**13,262**	**433**	**769**

(c) Major non-cash transaction

The acquisition of a machinery by other banking facilities arrangement during the year ended 31 December 2023 of S$211,000 (2022: S$387,000) was a non-cash transaction.

29 CAPITAL COMMITMENTS

As at 31 December 2023, the Group had the following capital commitments contracted for but not provided in the consolidated financial statements:

	2023 S$'000	2022 S$'000
Capital expenditure in respect of the acquisition of property, plant and equipment	**130**	120

30 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.

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 2023 and 2022:

Name of related parties	Relationship with the Group
Mr. Li	Director and shareholder
Luxuriant East Limited	A company wholly-owned by Mr. Li
Mr. Toe	Director
Ms. Wong Yet Lian	Spouse of Mr. Toe
Mr. Toe Wei Xian	Child of Mr. Toe
Ms. Toe Yun Xu	Child of Mr. Toe
Ms. Toh Yun Han	Child of Mr. Toe

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years ended 31 December 2023 and 2022.

(b) Transactions with related parties

	2023 S$'000	2022 S$'000
Interest on shareholder's loan from Luxuriant East Limited	**653**	–
Emolument payable or paid to		
— Children of the director for the services to the Group	**235**	217
— Spouse of the director for the services to the Group	**755**	775

(c) Key management compensation

The executive directors of the Group are regarded as key management. Details of the key management compensation are disclosed in Note 32(a) to the consolidated financial statements.

(d) Balances with related parties

	2023 S$'000	2022 S$'000
Shareholder's loan from Luxuriant East Limited	**13,262**	–

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2023 S$'000	As at 31 December 2022 S$'000
Assets			
Non-current asset			
Right-of-use assets		–	49
Investments in subsidiaries	14	44,915	44,915
		44,915	44,964
Current assets			
Amounts due from subsidiaries		10,768	5,054
Deposits and prepayment		58	52
Cash and cash equivalents		20,845	930
		31,671	6,036
Total assets		76,586	51,000
Equity			
Equity attributable to owners of the Company			
Share capital		1,695	1,695
Reserves	(a)	67,729	63,498
Accumulated losses	(a)	(6,609)	(14,724)
Total equity		62,815	50,469
Non-current liabilities			
Borrowings		13,262	–
Current liabilities			
Accruals		509	479
Lease liabilities		–	52
		509	531
Total liabilities		13,771	531
Total equity and liabilities		76,586	51,000

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

Statement of financial position 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
Balance as at 1 January 2022	18,605	44,893	(13,723)	49,775
Total comprehensive loss				
Loss for the year	–	–	(1,001)	(1,001)
Balance as at 31 December 2022 and 1 January 2023	**18,605**	**44,893**	**(14,724)**	**48,774**
Total comprehensive income				
Profit for the year	**–**	**–**	**8,115**	**8,115**
Transactions with owners				
Deemed contribution from controlling shareholder (Note 27)	**–**	**4,231**	**–**	**4,231**
Balance as at 31 December 2023	**18,605**	**49,124**	**(6,609)**	**61,120**

32 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remunerations of the directors for the years ended 31 December 2023 and 2022 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 2023							
Executive directors							
Mr. Li *(Chairman)*	–	206	–	–	3	–	209
Mr. Toe *(CEO)*	–	396	–	568	18	–	982
Independent non-executive directors							
Mr. Bau Siu Fung	21	–	–	–	–	–	21
Mr. Lau Chun Ho Edward	41	–	–	–	–	–	41
Mr. Wong Po Keung	21	–	–	–	–	–	21
	83	602	–	568	21	–	1,274
For the year ended 31 December 2022							
Executive directors							
Mr. Li *(Chairman)*	–	211	–	–	3	–	214
Mr. Toe *(CEO)*	–	385	–	581	16	–	982
Independent non-executive directors							
Mr. Bau Siu Fung	21	–	–	–	–	–	21
Mr. Lau Chun Ho Edward	42	–	–	–	–	–	42
Mr. Wong Po Keung	21	–	–	–	–	–	21
	84	596	–	581	19	–	1,280

32 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

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 2023 and 2022.

(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 2023 (2022: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 December 2023 (2022: 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 2023 (2022: 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 30, 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 2023 (2022: Nil).

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

Save as disclosed in the Note 30, 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 2023 (2022: Nil).

33 DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 December 2023 (2022: 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:

	2023	2022	2021	2020	2019
	S$'000	S$'000	S$'000	S$'000	S$'000
					(Restated)
Revenue	**16,071**	23,301	16,076	10,342	9,609
Cost of sales	**(10,131)**	(12,591)	(11,098)	(8,904)	(7,518)
Gross profit	**5,940**	10,710	4,978	1,438	2,091
Other income	**19**	43	54	35	53
Other (losses)/gains, net	**(944)**	(143)	357	17	(1)
Selling and distribution expenses	**(758)**	(220)	(547)	(197)	(184)
Administrative expenses	**(5,510)**	(5,191)	(5,631)	(3,475)	(2,185)
Research and development expenses for mobile games	**(2,816)**	(2,094)	(1,690)	(586)	–
Operating (loss)/profit	**(4,069)**	3,105	(2,479)	(2,768)	(226)
Finance income	**659**	162	20	153	197
Finance costs	**(717)**	(53)	(81)	(97)	(92)
Finance (costs)/income, net	**(58)**	109	(61)	56	105
(Loss)/profit before income tax	**(4,127)**	3,214	(2,540)	(2,712)	(121)
Income tax (expense)/credit	**(749)**	(1,153)	(600)	113	(279)
(Loss)/profit for the year attributable to owners of the Company	**(4,876)**	2,061	(3,140)	(2,599)	(400)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences	**235**	(219)	129	(67)	1
Total comprehensive (loss)/income for the year attributable to owners of the Company	**(4,641)**	1,842	(3,011)	(2,666)	(399)

Summary of Financial Information

	2023 S$'000	2022 S$'000	2021 S$'000	2020 S$'000	2019 S$'000 (Restated)
ASSETS AND LIABILITIES					
Non-current assets	**11,401**	12,665	13,702	14,969	16,437
Current assets	**43,784**	31,190	26,494	26,737	28,145
Total assets	**55,185**	43,855	40,196	41,706	44,582
Non-current liabilities	**14,969**	1,923	1,934	2,363	3,051
Current liabilities	**6,104**	7,410	5,582	3,652	3,174
Total liabilities	**21,073**	9,333	7,516	6,015	6,225
Total equity	**34,112**	34,522	32,680	35,691	38,357

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.