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FSM Holdings Limited

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

(Stock Code: 1721)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of FSM Holdings Limited (the “**Company**”) is pleased to announce the consolidated audited results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2020 (“**FY2020**”), together with the comparative figures for the corresponding period in 2019 (“**FY2019**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 S\$'000	2019 S\$'000 (Restated)
Revenue	5	10,342	9,609
Cost of sales	8	(8,904)	(7,518)
Gross profit		1,438	2,091
Other income	6	35	53
Other gains/(losses), net	7	17	(1)
Selling and distribution expenses	8	(197)	(184)
Administrative expenses	8	(3,475)	(2,185)
Research and development expenses for a mobile game	8	(586)	–
Operating loss		(2,768)	(226)
Finance income		153	197
Finance costs		(97)	(92)
Finance income, net	9	56	105
Loss before income tax		(2,712)	(121)
Income tax credit/(expense)	10	113	(279)
Loss for the year attributable to owners of the Company		(2,599)	(400)
Loss per share basic and diluted (<i>Singapore cents</i>)	11	(0.26)	(0.04)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

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

		31/12/2020	31/12/2019	1/1/2019
	<i>Note</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
			(Restated)	(Restated)
LIABILITIES				
Non-current liabilities				
Borrowings		221	848	270
Lease liabilities		802	718	792
Deferred income tax liabilities		1,257	1,413	1,098
Provision for reinstatement cost	<i>14</i>	83	72	72
		<u>2,363</u>	<u>3,051</u>	<u>2,232</u>
Current liabilities				
Trade and other payables	<i>14</i>	2,678	2,096	2,756
Current income tax liabilities		82	117	823
Borrowings		693	827	485
Lease liabilities		199	74	71
Amount due to directors		–	60	500
		<u>3,652</u>	<u>3,174</u>	<u>4,635</u>
Total liabilities		<u>6,015</u>	<u>6,225</u>	<u>6,867</u>
Total equity and liabilities		<u>41,706</u>	<u>44,582</u>	<u>45,623</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

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

(a) Amendments to standards adopted by the Group

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

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39	Hedge Accounting amendment
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 16	COVID-19 Related Rent Concessions

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

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

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

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

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

3 PRIOR YEAR ADJUSTMENTS

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

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

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

	As previously reported S\$'000	S\$'000 (1)	Adjustments		S\$'000 (2)	S\$'000 (3)	As restated S\$'000		S\$'000 (4)	S\$'000
Consolidated statement of comprehensive income for the year ended 31 December 2019 (extracted)										
Cost of Sales	6,844	639	–	35	–	–	–	7,518		
Administrative expenses	2,289	–	(104)	–	–	–	–	2,185		
Profit/(loss) before income tax	449	(639)	104	(35)	–	–	–	(121)		
Income tax expense/(credit)	390	(111)	–	–	–	–	–	279		
Profit/(loss) after income tax attributable to owners of the Company	59	(528)	104	(35)	–	–	–	(400)		
Basic and fully diluted earnings/(loss) per share	0.01 cents	(0.05) cents	0.01 cents	(0.01) cents	–	–	–	(0.04) cents		
Total comprehensive income/(loss) for the year attributable to owners of the Company	60	(528)	104	(35)	–	–	–	(399)		
Consolidated statement of financial position – 31 December 2019 (extracted)										
Property, plant and equipment	15,828	–	–	21	–	–	–	15,849		
Right-of-use assets	597	–	–	(56)	–	–	–	541		
Inventories	2,990	(1,074)	–	–	–	–	–	1,916		
Trade and other payables	2,142	155	(201)	–	–	–	–	2,096		
Current income tax liabilities	85	32	–	–	–	–	–	117		
Reserves	21,192	–	–	–	–	–	(180)	21,012		
Retained earnings	16,565	(1,261)	201	(35)	–	–	180	15,650		
Consolidated statement of financial position – 1 January 2019 (extracted)										
Inventories	1,937	(435)	–	–	–	–	–	1,502		
Trade and other payables	2,698	155	(97)	–	–	–	–	2,756		
Current income tax liabilities	680	143	–	–	–	–	–	823		
Reserves	21,191	–	–	–	–	–	(180)	21,011		
Retained earnings	16,506	(733)	97	–	–	–	180	16,050		

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

2. Being adjustment on journal entries in relation to over accrual of administrative expenses that resulted in:
 - An overstatement of trade and other payable as at 31 December 2019 and 1 January 2019;
 - An understatement of retained earnings as at 31 December 2019 and 1 January 2019; and
 - An overstatement of administrative expenses for the year ended 31 December 2019.

3. Being adjustment on calculation differences of depreciation expenses for right-of-use assets and omission of an elimination entry in relation to disposal of property, plant and equipment between group companies that resulted in:
 - An overstatement of right-of-use assets as at 31 December 2019;
 - An understatement of property, plant and equipment as at 31 December 2019; and
 - An understatement of cost of sales for the year ended 31 December 2019.

4. Being adjustment on calculation differences of foreign currency translation on a foreign subsidiary that resulted in:
 - An overstatement of exchange reserve as at 31 December 2019 and 1 January 2019; and
 - An understatement of opening retained earnings as at 31 December 2019 and 1 January 2019.

4 SEGMENT INFORMATION

(a) Description of segments and principal activities

The Chief Operating Decision Maker (“CODM”), including of Mr. Li Thet (“**Mr. Li**”) and Mr. Toe Tiong Hock (“**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.

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

	Year ended 31 December 2020		
	Manufacturing business <i>S\$'000</i>	Online business <i>S\$'000</i>	Total <i>S\$'000</i>
Reportable segment revenue (<i>Note 5</i>)			
From external customers	<u>10,341</u>	<u>1</u>	<u>10,342</u>
Reportable segment results	<u>(759)</u>	<u>(1,197)</u>	<u>(1,956)</u>
Corporate income			162
Corporate expenses			<u>(918)</u>
Loss before income tax			<u><u>(2,712)</u></u>

	Year ended 31 December 2019		
	Manufacturing business <i>S\$'000</i> (Restated)	Online business <i>S\$'000</i>	Total <i>S\$'000</i> (Restated)
Reportable segment revenue (<i>Note 5</i>)			
From external customers	9,609	–	9,609
Reportable segment results	365	–	365
Corporate income			–
Corporate expenses			(486)
Loss before income tax			<u>(121)</u>

(c) **Segment assets**

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

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

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

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

(d) Segment liabilities

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

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

(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 broken down by location of the customers, is shown in the table below.

	2020	2019
	S\$'000	S\$'000
Singapore	10,341	9,609
Other countries	1	–
	<u>10,342</u>	<u>9,609</u>

Information about major customers

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

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

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

5 REVENUE

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

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Sale of goods	10,174	9,427
Processing services	167	182
Sale of in-game virtual items	<u>1</u>	<u>–</u>
	<u>10,342</u>	<u>9,609</u>

6 OTHER INCOME

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Government grant	2	19
Scrap sales	33	22
Others	<u>–</u>	<u>12</u>
	<u>35</u>	<u>53</u>

7 OTHER GAINS/(LOSSES), NET

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

8 EXPENSES BY NATURE

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

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

9 FINANCE INCOME, NET

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

10 INCOME TAX (CREDIT)/EXPENSE

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

	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
		(Restated)
Current income tax	104	71
Deferred income tax	(112)	315
Overprovision in prior years:		
Current income tax	(50)	(107)
Deferred income tax	(55)	–
Income tax (credit)/expense	(113)	279

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

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

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

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

(b) Singapore corporate income tax

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

(c) Malaysia corporate income tax

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

(d) Hong Kong profits tax

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

(e) Mainland China corporate income tax

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

Notes:

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

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

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

11 LOSS PER SHARE

(a) Basic

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

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

(b) Diluted

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

12 TRADE AND OTHER RECEIVABLES

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Trade receivables	2,004	1,917
<i>Less: loss allowance</i>	<u>—</u>	<u>—</u>
Trade receivables, net	2,004	1,917
Prepayments	143	73
Deposits	160	87
Other receivables	<u>50</u>	<u>12</u>
	<u>2,357</u>	<u>2,089</u>

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

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is no significant impact of loss allowance for trade receivables as at 31 December 2020 and 2019.

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

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

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

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

13 SHARE CAPITAL

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

14 TRADE AND OTHER PAYABLES AND PROVISION

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

BUSINESS REVIEW

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

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

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

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

REVENUE

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Manufacturing business	10,341	99.99	9,609	100.00
Online business	1	0.01	–	–
Total	<u>10,342</u>	<u>100.00</u>	<u>9,609</u>	<u>100.00</u>

MANUFACTURING BUSINESS

Sheet metal fabrication business

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

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

ONLINE BUSINESS

Mobile game business

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

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

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

ADMINISTRATIVE EXPENSES

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

RESEARCH AND DEVELOPMENT EXPENSES FOR A MOBILE GAME

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

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

FINAL DIVIDEND

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

OUTLOOK

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

For FY2020, the average effective interest rates of the Group's bank loans was 4.02% per annum (2019: 4.71% per annum).

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

CAPITAL STRUCTURE

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

PLEDGE OF ASSETS

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

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

SIGNIFICANT INVESTMENT HELD BY THE GROUP

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed 165 full-time employees (2019: 147 employees).

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

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

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

FOREIGN EXCHANGE RISK

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

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

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

USE OF NET PROCEEDS FROM THE LISTING

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

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

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

Note:

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

CONTINUED SUSPENSION OF TRADING

As there was a delay in the publication of the 2020 Annual Results at the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021, and will remain suspended until further notice.

On 27 May 2021, the Company received a letter from the Stock Exchange setting out the guidance for the resumption of trading in the shares of the Company. The Company is taking appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction.

Please refer to the announcements of the Company dated 31 March 2021, 28 May 2021 and 30 June 2021, 31 August 2021 and 30 September 2021 for details.

EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

During FY2020, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), with the deviation that during the period from 1 January 2020 to 7 April 2020, the roles of the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**CEO**”) have not been segregated as required under code provision A.2.1 of the CG Code. With effect from 8 April 2020, Mr. Toe ceased to be the Chairman but remains as an executive Director and the CEO, and Mr. Li was appointed as the new Chairman. Since then, the Company has complied with the code of provision A.2.1 of the CG Code.

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the Group's audited financial results for year ended 31 December 2020 and the accounting principles and policies adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the audited consolidated financial statements for FY2020.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for FY2020 as set forth in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.fsmtech.com). The annual report of the Company for FY2020 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
FSM Holdings Limited
Li Thet
Chairman

Hong Kong, 8 December 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Thet and Mr. Toe Tiong Hock; and three independent non-executive Directors, namely, Mr. Bau Siu Fung, Mr. Wong Po Keung and Mr. Lau Chun Ho Edward.