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FSM Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1721)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 (“**FY2021**”), together with the comparative figures for the corresponding period in 2020 (“**FY2020**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 S\$'000	2020 S\$'000
Revenue	4	16,076	10,342
Cost of sales	7	(11,098)	(8,904)
Gross profit		4,978	1,438
Other income	5	54	35
Other gains, net	6	357	17
Selling and distribution expenses	7	(547)	(197)
Administrative expenses	7	(5,631)	(3,475)
Research and development expenses for mobile games	7	(1,690)	(586)
Operating loss		(2,479)	(2,768)
Finance income		20	153
Finance costs		(81)	(97)
Finance (costs)/income, net	8	(61)	56
Loss before income tax		(2,540)	(2,712)
Income tax (expense)/credit	9	(600)	113
Loss for the year attributable to owners of the Company		(3,140)	(2,599)
Loss per share, basic and diluted (Singapore cents)	10	(0.31)	(0.26)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Loss for the year	----- (3,140) -----	----- (2,599) -----
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	----- 129 -----	----- (67) -----
Other comprehensive income/(loss) for the year, net of tax	----- 129 -----	----- (67) -----
Total comprehensive loss for the year attributable to owners of the Company	===== (3,011) =====	===== (2,666) =====

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		12,685	14,160
Right-of-use assets		899	763
Intangible assets		37	46
Rental deposit		81	–
		<u>13,702</u>	<u>14,969</u>
Current assets			
Inventories		1,561	842
Trade and other receivables	<i>11</i>	3,893	2,357
Pledged bank deposits		54	712
Short-term bank deposits		7,054	12,224
Cash and cash equivalents		13,932	10,602
		<u>26,494</u>	<u>26,737</u>
Total assets		<u>40,196</u>	<u>41,706</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	1,695	1,695
Reserves		21,074	20,945
Retained earnings		9,911	13,051
Total equity		<u>32,680</u>	<u>35,691</u>

	<i>Note</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		–	221
Lease liabilities		657	802
Deferred income tax liabilities		1,191	1,257
Provision for reinstatement cost	<i>13</i>	86	83
		<u>1,934</u>	<u>2,363</u>
Current liabilities			
Trade and other payables	<i>13</i>	4,327	2,678
Current income tax liabilities		557	82
Borrowings		221	693
Lease liabilities		477	199
		<u>5,582</u>	<u>3,652</u>
Total liabilities		<u>7,516</u>	<u>6,015</u>
Total equity and liabilities		<u>40,196</u>	<u>41,706</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 online mobile games. 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 2021 and have been adopted in the preparation of the consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendments to IFRS16	COVID-19 Related Rent Concessions beyond 30 June 2021

The adoption of the new standards, 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
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
AG5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
IAS 1 (Amendments)	Classification of liabilities as current or Non-current	1 January 2023
IAS1 and IFRS Practice Statement 2 (amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	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 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 2021		
	Manufacturing business <i>S\$'000</i>	Online business <i>S\$'000</i>	Total <i>S\$'000</i>
Reportable segment revenue (<i>Note 4</i>)			
From external customers	<u>15,853</u>	<u>223</u>	<u>16,076</u>
Reportable segment results	<u>3,049</u>	<u>(3,592)</u>	(543)
Corporate income			206
Corporate expenses			<u>(2,203)</u>
Loss before income tax			<u><u>(2,540)</u></u>

	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 4</i>)			
From external customers	10,341	1	10,342
Reportable segment results	<u>(759)</u>	<u>(1,197)</u>	(1,956)
Corporate income			162
Corporate expenses			<u>(918)</u>
Loss before income tax			<u><u>(2,712)</u></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.

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Manufacturing business	33,191	30,640
Online business	<u>1,541</u>	<u>826</u>
Total segment assets	34,732	31,466
Corporate assets	<u>5,464</u>	<u>10,240</u>
Total assets	<u><u>40,196</u></u>	<u><u>41,706</u></u>

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

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore	9,581	10,810
Hong Kong	190	290
China	475	73
Malaysia	3,456	3,796
	<u> </u>	<u> </u>
Total non-current assets	13,702	14,969
	<u> </u>	<u> </u>

(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.

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Manufacturing business	4,207	3,812
Online business	582	244
	<u> </u>	<u> </u>
Total segment liabilities	4,789	4,056
Corporate liabilities	2,727	1,959
	<u> </u>	<u> </u>
Total liabilities	7,516	6,015
	<u> </u>	<u> </u>

(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.

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore	15,853	10,341
Other countries	223	1
	<u>16,076</u>	<u>10,342</u>

Information about major customers

For the year ended 31 December 2021, revenue generated from the top two customers (2020: three) accounted for approximately 88% (2020: approximately 87%) of the total revenue for the Group. Other individual customers accounted for less than 10% of revenue for the years ended 31 December 2021 and 2020.

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Customer A	8,397	4,967
Customer B	5,670	2,911
Customer C	N/A	1,168
	<u>N/A</u>	<u>1,168</u>

4 REVENUE

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

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Sale of goods	15,293	10,174
Processing services	560	167
Sale of in-game virtual items	<u>223</u>	<u>1</u>
	<u>16,076</u>	<u>10,342</u>

5 OTHER INCOME

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Government grant	7	2
Scrap sales	38	33
Others	<u>9</u>	<u>–</u>
	<u>54</u>	<u>35</u>

6 OTHER GAINS, NET

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Foreign exchange gains, net	356	53
Gain/(loss) on disposal of property, plant and equipment	1	(1)
Others	<u>–</u>	<u>(35)</u>
	<u>357</u>	<u>17</u>

7 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:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Cost of inventories sold	5,041	3,766
Subcontractor fees	504	393
(Reversal of)/provision for inventories	(142)	281
Employee benefit expenses (including directors' emoluments)	5,674	3,887
Depreciation charge for property, plant and equipment	1,893	2,025
Depreciation charge for right-of-use assets	364	70
Amortisation of intangible assets	21	10
Operating lease expense in respect of short-term leases	153	178
Utilities expenses	481	264
Repair and maintenance of property, plant and equipment	354	293
Freight expenses	293	40
Advertisement for mobile game business	372	57
Auditor's remuneration		
– Audit services	354	292
– Non-audit services	12	9
Legal and professional fees	1,542	549
Research and development expenses for mobile games excluding amortisation charges and depreciation charges	1,659	586
Others	391	462
	18,966	13,162
Represented by:		
Cost of sales	11,098	8,904
Selling and distribution expenses	547	197
Administrative expenses	5,631	3,475
Research and development expenses for mobile games	1,690	586
	18,966	13,162

8 FINANCE (COSTS)/INCOME, NET

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Finance income		
Bank deposits	20	153
	-----	-----
Finance costs		
Bank loan	(2)	(8)
Other banking facilities	(18)	(37)
Lease liabilities	(58)	(41)
Reinstatement costs	(3)	(11)
	-----	-----
	(81)	(97)
	-----	-----
Finance (costs)/income, net	(61)	56
	=====	=====

9 INCOME TAX EXPENSE/(CREDIT)

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

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Current income tax	589	104
Deferred income tax	(72)	(112)
Under/(over) provision in prior years:		
Current income tax	69	(50)
Deferred income tax	8	(55)
Translation difference	6	-
	-----	-----
Income tax expense/(credit)	600	(113)
	=====	=====

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

	2021	2020
	S\$'000	S\$'000
Loss before income tax	(2,540)	(2,712)
Tax calculated at tax rate of 17% (2020: 17%)	(432)	(461)
Different tax rates in other countries	70	(19)
Under/(over) provision in prior years	77	(105)
Income not subjected to tax	(72)	(88)
Expenses not deductible for tax purposes	54	92
Tax losses not recognised	1,018	485
Tax incentives	(98)	–
Partial tax exemption	(17)	(17)
Income tax expense/(credit)	600	(113)

(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 2021 and 2020.

(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 2021 (2020: 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 2021 (2020: 24%).

(d) Hong Kong profit tax

Under the two-tiered profit 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% (2020:8.25%), and the profits above that amount will be subject to the tax rate of 16.5% (2020: 16.5%). The profits of the group entities not qualifying for the two-tiered profits tax rates regime will be continued to be taxed at a rate of 16.5% (2020:16.5%). The Group's subsidiaries incorporated in Hong Kong are not provided for Hong Kong profits tax as there is no assessable income arising in and derived from Hong Kong for the year ended 31 December 2021 (2020: Nil).

(e) Mainland China 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 phase 2. From 1 January 2021 to 31 December 2022, a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20%. A subsidiary of the Group is eligible as a Small Low-profit Enterprise and is subject to the relevant preferential tax treatments. No provision for Enterprise Income Tax for the year ended 31 December 2021 has been made as the subsidiary did not generate any assessable profits during that year.

Notes:

- (1) Tax incentive for the year ended 31 December 2021 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 2020 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 2021 and 2020.

10 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.

	2021	2020
Loss attributable to owners of the Company (<i>S\$'000</i>)	----- (3,140)	----- (2,599)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	----- 1,000,000	----- 1,000,000
Basic loss per share (<i>Singapore cents</i>)	<u>(0.31)</u>	<u>(0.26)</u>

(b) Diluted

For the years ended 31 December 2021 and 2020, diluted loss per share equals basic loss per share as there was no potential dilutive shares.

11 TRADE AND OTHER RECEIVABLES

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Trade receivables	3,627	2,004
<i>Less: loss allowance</i>	<u>—</u>	<u>—</u>
Trade receivables, net	3,627	2,004
Prepayments	145	143
Deposits	108	160
Other receivables	<u>13</u>	<u>50</u>
	<u>3,893</u>	<u>2,357</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:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
0 to 30 days	1,967	1,089
31 to 60 days	1,607	833
61 to 90 days	37	48
Over 90 days	<u>16</u>	<u>34</u>
	<u>3,627</u>	<u>2,004</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 2021 and 2020.

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

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore dollars	2,294	1,276
United States dollars	1,479	864
Malaysia ringgit	86	71
Hong Kong dollars	33	20
Renminbi	1	126
	<u>3,893</u>	<u>2,357</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.

12 SHARE CAPITAL

	Number of shares	Share capital <i>S\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2021 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 2021 and 31 December 2020	<u>1,000,000,000</u>	<u>1,695</u>

13 TRADE AND OTHER PAYABLES AND PROVISION FOR REINSTATEMENT COST

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Non-current		
Provision for reinstatement cost	86	83
	-----	-----
Current		
Trade payables	1,570	1,044
Other payables and accruals		
– Accrued expenses	2,526	1,530
– Others	231	104
	-----	-----
	4,327	2,678
	-----	-----
Total	4,413	2,761
	=====	=====

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

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	702	426
31 to 60 days	361	269
61 to 90 days	221	140
Over 90 days	286	209
	-----	-----
	1,570	1,044
	=====	=====

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:

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore dollars	3,273	1,936
Malaysia ringgit	592	461
Renminbi	242	142
Hong Kong dollars	217	77
United States dollars	3	62
	<hr/>	<hr/>
	4,327	2,678
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During FY2021, the revenue of the Group increased by approximately 55.4% to approximately S\$16.1 million. The increase was mainly due to the continued growth in the manufacturing business driven by demand in manufacturing sector of Singapore in FY2021. The gross profit of the Group increased by approximately 246.2% to approximately S\$5.0 million for FY2021 mainly due to (i) increase in revenue and (ii) the insensitivity of certain production overheads which were fixed costs in nature and not increasing in line with revenue. The Group recorded loss for the year attributable to owners of the Company (“**Net Loss**”) of approximately S\$3.1 million for FY2021 as compared to Net Loss of approximately S\$2.6 million for FY2020. Such increase in loss was mainly due to (i) professional fees incurred in relation to the resumption of trading in shares of the Company and (ii) the increase in costs incurred (mainly including staff costs, research and development expenses and rental expense for office premises) in developing and operating the mobile games of our online business in the first full year of operation in FY2021 despite the strong performance of our manufacturing business.

BUSINESS REVIEW

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

In 2021, the Singapore economy grew by 7.6%, a rebound from contraction of 4.1% in 2020. Meanwhile, the manufacturing sector of the Singapore economy has outperformed and expanded by 13.2% in 2021. Driven by sustained global demand for semiconductors and semiconductor equipment, precision engineering clusters have outstanding performance among companies in the manufacturing sector and continued to record strong output growth in FY2021.

Our manufacturing business which engages in sheet metal fabrication with a focus on precision engineering has benefited from the sustained high global demand for semiconductors and achieved significant growth in revenue in FY2021.

Following the launch of our first mobile game to the market in December 2020, the Group continued to optimize our mobile game by adding more new features and gameplay rules to enhance players’ experiences in 2021. In 2022, the Group will continue to enrich our online business by developing and optimizing our mobile game products.

REVENUE

During FY2021, total revenue of the Group increased by approximately 55.4% to approximately S\$16.1 million (FY2020: approximately S\$10.3 million).

	Year ended 31 December 2021		Year ended 31 December 2020	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Manufacturing business	15,853	98.61	10,341	99.99
Online business	223	1.39	1	0.01
Total	<u>16,076</u>	<u>100.00</u>	<u>10,342</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 FY2021 the revenue of the Group's manufacturing business increased by approximately 53.3% to approximately S\$15.9 million as compared to approximately S\$10.3 million for FY2020. The increase in revenue of manufacturing business was mainly due to increased demand from continued growth in the manufacturing sector of Singapore in FY2021.

ONLINE BUSINESS

Mobile game business

During FY2021, revenue from mobile game business under the online business segment was approximately S\$0.2 million as compared to approximately S\$1,000 for FY2020.

The increase in revenue from mobile game business was mainly due to the first full year's revenue contribution from our first mobile game in FY2021 following its launch in December 2020.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group for FY2021 amounted to approximately S\$5.0 million, representing an increase of approximately S\$3.6 million or 246.2% as compared with the gross profit of approximately S\$1.4 million for FY2020. The Group's gross profit margin for FY2021 was approximately 31.0%, as compared with approximately 13.9% for FY2020. Such increases were mainly due to (i) increase in revenue for FY2021 and (ii) the insensitivity of certain production overheads which were fixed costs in nature and not increasing in line with revenue.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by approximately S\$2.1 million or 62.0% from approximately S\$3.5 million for FY2020 to approximately S\$5.6 million for FY2021. The increase was mainly due to professional fees incurred in relation to the resumption of trading in shares of the Company during FY2021 and new staff costs, rental expense for office premises and other costs incurred in operating the Group's mobile games of our online business in the first full year of operation in FY2021.

RESEARCH AND DEVELOPMENT EXPENSES FOR MOBILE GAMES

For FY2021, research and development expenses for our mobile games amounted to approximately S\$1.7 million (2020: approximately S\$0.6 million). The research and development expenses mainly represented new staff costs and outsourcing expenses incurred in developing and optimizing mobile games of our online business. The increase was mainly due to the first full year of operation of our mobile game business in FY2021.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above factors, the Group recorded Net Loss of approximately S\$3.1 million for FY2021 (FY2020: approximately S\$2.6 million).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for FY2021 (FY2020: Nil).

OUTLOOK

The International Monetary Fund (“IMF”) had projected the global economy to grow at 4.4% for the year 2022 during their January 2022 review. Entering into 2022, there are still many uncertainties affecting the global economy, including continued supply shortages, 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 our manufacturing business in maintaining relationships with existing and potential customers and enhancing production competency and efficiency through the upgrading of machines and usage of robotics as well as cautiously managing our business expenses through continuing efforts to reduce production and operating costs.

It is the Group’s strategy to diversify our revenue stream under current challenging environment of our manufacturing business. Launching our mobile game to the market was the Group’s initial plan following our diversification into the online business. In 2022, the Group will continue to enrich our online business by developing and optimizing our mobile game products.

The Board will continue to focus on our manufacturing business by enhancing its production competency and efficiency. Meanwhile, the Board will continue to explore other business opportunities in order to diversify revenue streams and strengthen the Group’s performance under the current challenging environment of our manufacturing business. The Board believes that a more diversified revenue streams is 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 are denominated in SGD and lease liabilities are denominated in SGD, HKD and RMB.

As at 31 December 2021, the Group's total equity attributable to owners of the Company amounted to approximately S\$32.7 million (2020: approximately S\$35.7 million).

As at 31 December 2021, the Group's net current assets was approximately S\$20.9 million (2020: approximately S\$23.1 million) and the Group had cash and cash equivalents, short-term bank deposits and pledged bank deposits of approximately S\$21.0 million (2020: approximately S\$23.5 million). The Group had borrowings and lease liabilities of approximately S\$0.2 million (2020: approximately S\$0.9 million) and approximately S\$1.1 million (2020: approximately S\$1.0 million), respectively.

For FY2021, the average effective interest rates of the Group's bank loans was 3.41% per annum (FY2020: 4.02% per annum).

As at 31 December 2021, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 4.7 times (2020: approximately 7.3 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 4.1% (2020: approximately 5.4%).

CAPITAL STRUCTURE

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

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2021, there was no significant investment held by the Group (2020: 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 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments of approximately S\$0.12 million, which was related to acquisition of property, plant and equipment (2020: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed 184 full-time employees (FY2020: 165 employees).

Total staff costs including Directors’ emoluments which was amounted to approximately S\$5.7 million in FY2021 (FY2020: approximately S\$3.9 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 the Group's various pension schemes (including contributed pension scheme in Singapore named Central Provident Fund, contribution pension scheme in Malaysia named Employee Provident Fund, defined contribution scheme in Hong Kong named Mandatory Provident Fund Scheme, 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 2021, the Group retains part of the proceeds from Listing in HKD and USD that are exposed to foreign exchange risk. During the year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies by the Group during FY2021.

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 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 year ended 31 December 2021 were as follows:

Use of Net Proceeds:	Original	Amount	Unused	Utilization	Utilization	Unused	Unused	Expected timeline for utilizing the remaining proceeds (<i>Note</i>)	
	allocation	utilized	amount	from the date	from	amount as at	amount as at		
	up to the	up to the	up to the	of revised	1 January	1 January	31 December	31 December	
	date of	date of	date of	allocation to	2021	2021	2021	2021	
	revised	revised	revised	1 January	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
	allocation	allocation	allocation	allocation					
	HK\$ million	HK\$ million	HK\$ million	HK\$ million					
Expansion in production capacity	46.8	16.8	30.0	8.9	0.7	8.2	2.1	6.1	Before 31 December 2022
Greater production automation	29.1	12.0	17.1	5.8	0.4	5.4	1.8	3.6	Before 31 December 2022
Enhancing our information technology system	9.4	1.1	8.3	1.9	–	1.9	0.2	1.7	Before 31 December 2022
Improving quality assurance capabilities	2.7	0.1	2.6	2.6	0.2	2.4	1.2	1.2	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	4.8	–	
Working capital for the business of precision engineering and precision machining services	–	–	–	30.0	10.4	19.6	19.6	–	
	<u>95.2</u>	<u>36.0</u>	<u>59.2</u>	<u>59.2</u>	<u>16.9</u>	<u>42.3</u>	<u>29.7</u>	<u>12.6</u>	

As at 31 December 2021 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), as disclosed in the announcement of the Company dated 8 December 2021, 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. The Company will keep reviewing the use of proceeds in light of the recent market conditions.

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

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value and accountability. The Directors recognize the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability. The Company adopted all the code provisions in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 of Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange as its own code on corporate governance practices. On 1 January 2022, the amendments to the CG Code came into effect and the requirements under new CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Company will continue to comply with the new CG Code as well as the Corporate Governance Guide for Boards and Directors issued by the Stock Exchange in December 2021.

During the year, save as disclosed below, the Company had complied with the code provisions in the CG Code.

Pursuant to Rules 13.49(1) and 13.46 (2) of the Listing Rules, the Company was required to publish the annual results announcement of the Company for the financial year ended 31 December 2020 (“**2020 Annual Results**”) on or before 31 March 2021, and to despatch the annual report for the financial year ended 31 December 2020 (the “**2020 Annual Report**”) to the Shareholders on or before 30 April 2021.

As disclosed in the announcements of the Company dated 31 March 2021, 28 May 2021, 30 June 2021, 31 August 2021 and 30 September 2021, there was delay in publication of the 2020 Annual Results and despatch of the 2020 Annual Report.

The Board acknowledges that the delay in publication of the 2020 Annual Results and despatch of the 2020 Annual Report constituted non-compliance of Rules 13.49(1) and Rule 13.46(2) of the Listing Rules, respectively.

Further, the Company has failed to convene an annual general meeting (“AGM”) and lay the 2020 Annual Results before the Shareholders at the AGM within the period of 6 months after the financial year ended 31 December 2020 in accordance with the requirement under Rule 13.46(2)(b) of the Listing Rules.

Pursuant to Rules 13.49(6) and 13.48 of the Listing Rules, the Company was required to publish the interim results announcement of the Company for the six months ended 30 June 2021 (the “**2021 Interim Results**”) on or before 31 August 2021, and to despatch the interim report for the six months ended 30 June 2021 (the “**2021 Interim Report**”) to the Shareholders on or before 30 September 2021.

As disclosed in the announcement of the Company dated 31 August 2021 and 30 September 2021, there was delay in publication of the 2021 Interim Results and despatch of the 2021 Interim Report.

The Board acknowledges that the delay in publication of the 2021 Interim Results and despatch of the 2021 Interim Report constituted non-compliance of Rules 13.49(6) and 13.48 of the Listing Rules, respectively.

For completeness, the 2020 Annual Results and the 2021 Interim Results had been announced on 8 December 2021 and the 2020 Annual Report and the 2021 Interim Report have been despatched to the Shareholders.

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

During FY2021, 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 the year ended 31 December 2021 and the accounting principles and policies adopted by the Group and discussed risk management, internal control and financial reporting matters with the management including a review of the audited consolidated financial statements for FY2021.

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 FY2021 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 FY2021 will be despatched 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, 25 March 2022

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.