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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 2022

The board (the “**Board**”) of directors (the “**Directors**”) of FSM Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2022 (“**FY2022**”), together with the comparative figures for the corresponding period in 2021 (“**FY2021**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 S\$'000	2021 S\$'000
Revenue	4	23,301	16,076
Cost of sales	7	(12,591)	(11,098)
Gross profit		10,710	4,978
Other income	5	43	54
Other (losses)/gains, net	6	(143)	357
Selling and distribution expenses	7	(220)	(547)
Administrative expenses	7	(5,191)	(5,631)
Research and development expenses for mobile games	7	(2,094)	(1,690)
Operating profit/(loss)		3,105	(2,479)
Finance income		162	20
Finance costs		(53)	(81)
Finance income/(costs), net	8	109	(61)
Profit/(loss) before income tax		3,214	(2,540)
Income tax expense	9	(1,153)	(600)
Profit/(loss) for the year attributable to owners of the Company		2,061	(3,140)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company basic and diluted (Singapore cents)	10	0.21	(0.31)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Profit/(loss) for the year	<u>2,061</u>	<u>(3,140)</u>
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>(219)</u>	<u>129</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(219)</u>	<u>129</u>
Total comprehensive income/(loss) for the year attributable to owners of the Company	<u><u>1,842</u></u>	<u><u>(3,011)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		12,149	12,685
Right-of-use assets		489	899
Intangible assets		27	37
Rental deposit		–	81
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		12,665	13,702
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Current assets			
Inventories		3,251	1,561
Trade and other receivables	<i>11</i>	4,407	3,893
Pledged bank deposits		52	54
Short-term bank deposits		10,903	7,054
Cash and cash equivalents		12,577	13,932
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		31,190	26,494
		<hr style="width: 100%; border: 0.5px dashed black;"/>	<hr style="width: 100%; border: 0.5px dashed black;"/>
Total assets		43,855	40,196
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EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	1,695	1,695
Reserves		20,855	21,074
Retained earnings		11,972	9,911
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Total equity		34,522	32,680
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	<i>Note</i>	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		272	–
Lease liabilities		448	657
Deferred income tax liabilities		1,112	1,191
Provision for reinstatement cost	13	<u>91</u>	<u>86</u>
		<u>1,923</u>	<u>1,934</u>
Current liabilities			
Trade and other payables	13	5,928	4,327
Current income tax liabilities		1,164	557
Borrowings		92	221
Lease liabilities		<u>226</u>	<u>477</u>
		<u>7,410</u>	<u>5,582</u>
Total liabilities		<u>9,333</u>	<u>7,516</u>
Total equity and liabilities		<u><u>43,855</u></u>	<u><u>40,196</u></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 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 (“**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 new standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2022. 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:

Annual Improvements Project	Annual Improvements 2018-2020 Cycle
Amendments to International Accounting Standards (“ IAS ”) 16, IAS 37 and IFRS 3	Narrow-scope Amendments
IFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021

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

The following new standards, amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
IFRS 17	Amendments to IFRS 17	1 January 2023
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
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
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 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 profit/(loss) before income tax

	Year ended 31 December 2022		
	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>23,264</u>	<u>37</u>	<u>23,301</u>
Reportable segment results	<u>8,017</u>	<u>(3,796)</u>	4,221
Corporate income			98
Corporate expenses			<u>(1,105)</u>
Profit before income tax			<u><u>3,214</u></u>

	Year ended 31 December 2021		
	Manufacturing business S\$'000	Online business S\$'000	Total S\$'000
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>

(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.

	2022 S\$'000	2021 S\$'000
Manufacturing business	41,837	33,191
Online business	<u>973</u>	<u>1,541</u>
Total segment assets	42,810	34,732
Corporate assets	<u>1,045</u>	<u>5,464</u>
Total assets	<u><u>43,855</u></u>	<u><u>40,196</u></u>

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

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore	9,380	9,581
Hong Kong	66	190
China	109	475
Malaysia	3,110	3,456
	<hr/>	<hr/>
Total non-current assets	12,665	13,702
	<hr/> <hr/>	<hr/> <hr/>

(d) Segment liabilities

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

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Manufacturing business	5,932	4,207
Online business	589	582
	<hr/>	<hr/>
Total segment liabilities	6,521	4,789
Corporate liabilities	2,812	2,727
	<hr/>	<hr/>
Total liabilities	9,333	7,516
	<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 breakdown by location of the customers is shown in the table below.

	2022	2021
	S\$'000	S\$'000
Singapore	23,264	15,853
Other countries	<u>37</u>	<u>223</u>
	<u>23,301</u>	<u>16,076</u>

Information about major customers

For the year ended 31 December 2022, revenue generated from the top two customers (2021: two) accounted for approximately 91% (2021: approximately 88%) of the total revenue for the Group. Other individual customers accounted for less than 10% of revenue for the years ended 31 December 2022 and 2021.

	2022	2021
	S\$'000	S\$'000
Customer A	12,361	8,397
Customer B	<u>8,821</u>	<u>5,670</u>

4 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:

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Sale of goods	22,543	15,293
Processing services	721	560
Sale of in-game virtual items	37	223
	<u>23,301</u>	<u>16,076</u>

5 OTHER INCOME

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Government grant	–	7
Scrap sales	38	38
Others	5	9
	<u>43</u>	<u>54</u>

6 OTHER (LOSSES)/GAINS, NET

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Foreign exchange (losses)/gains, net	(217)	356
Gain on disposal of property, plant and equipment	74	1
	<u>(143)</u>	<u>357</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:

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Cost of inventories sold	5,429	5,041
Subcontractor fees	531	504
Provision for/(reversal of provision for) impairment of inventories	24	(142)
Employee benefit expenses (including directors' emoluments)	6,834	5,674
Depreciation charge for property, plant and equipment	1,521	1,893
Depreciation charge for right-of-use assets	428	364
Amortisation of intangible assets	15	21
Operating lease expense in respect of short-term leases	36	153
Utilities expenses	674	481
Repair and maintenance of property, plant and equipment	413	354
Freight expenses	296	293
Auditor's remuneration		
– Audit services	400	354
– Non-audit services	10	12
Legal and professional fees	358	1,542
Research and development expenses for mobile games (including staffs cost and excluding amortisation charges and depreciation charges)	2,062	1,659
Others	1,065	763
	20,096	18,966
Represented by:		
Cost of sales	12,591	11,098
Selling and distribution expenses	220	547
Administrative expenses	5,191	5,631
Research and development expenses for mobile games	2,094	1,690
	20,096	18,966

8 FINANCE INCOME/(COSTS), NET

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Finance income		
Bank deposits	162	20
Finance costs		
Bank loan	–	(2)
Other banking facilities	(5)	(18)
Lease liabilities	(43)	(58)
Reinstatement costs	(5)	(3)
	(53)	(81)
Finance income/(costs), net	<u>109</u>	<u>(61)</u>

9 INCOME TAX EXPENSE

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

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Current income tax		
Singapore corporate income tax	1,245	515
Malaysia corporate income tax	124	74
Mainland China corporate income tax	4	–
(Over)/under provision in prior year	(153)	69
	1,220	658
Deferred income tax		
(Over)/under provision in prior year	(50)	(72)
Translation difference	(17)	8
	–	6
Income tax expense	<u>1,153</u>	<u>600</u>

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

	2022	2021
	S\$'000	S\$'000
Profit/(loss) before income tax	<u>3,214</u>	<u>(2,540)</u>
Tax calculated at tax rate applicable to profit/(loss) in the countries concerned	781	(362)
(Over)/under provision in prior years	(170)	77
Income not subject to tax	(11)	(72)
Expenses not deductible for tax purposes	98	54
Tax losses not recognised	663	1,018
Recognition of previously unrecognised deferred tax	(63)	–
Tax incentives	(77)	(98)
Partial tax exemption	<u>(68)</u>	<u>(17)</u>
Income tax expense	<u>1,153</u>	<u>600</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 2022 and 2021.

(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 2022 (2021: 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 2022 (2021: 24%).

(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% (2021: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2021: 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% (2021: 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 2022 (2021: 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.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2022	2021
Profit/(loss) attributable to owners of the Company (<i>S\$'000</i>)	2,061	(3,140)
Weighted average number of ordinary shares in issue (thousands)	1,000,000	1,000,000
Basic earnings/(loss) per share (<i>Singapore cents</i>)	<u>0.21</u>	<u>(0.31)</u>

(b) Diluted

For the years ended 31 December 2022 and 2021, diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there was no potential dilutive shares.

11 TRADE AND OTHER RECEIVABLES

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Trade receivables	3,999	3,627
<i>Less: loss allowance</i>	<u>—</u>	<u>—</u>
Trade receivables, net	3,999	3,627
Prepayments	147	145
Deposits	151	108
Other receivables	<u>110</u>	<u>13</u>
	<u>4,407</u>	<u>3,893</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:

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
0 to 30 days	2,050	1,967
31 to 60 days	1,764	1,607
61 to 90 days	131	37
Over 90 days	<u>54</u>	<u>16</u>
	<u>3,999</u>	<u>3,627</u>

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

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

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Singapore dollars	2,007	2,294
United States dollars	2,176	1,479
Malaysia ringgit	93	86
Hong Kong dollars	53	33
Renminbi	78	1
	<u>4,407</u>	<u>3,893</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		
As at 31 December 2022 and 31 December 2021	<u>2,000,000,000</u>	<u>3,390</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2022 and 31 December 2021	<u>1,000,000,000</u>	<u>1,695</u>

13 TRADE AND OTHER PAYABLES AND PROVISION FOR REINSTATEMENT COST

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Non-current		
Provision for reinstatement cost	91	86
Current		
Trade payables	1,778	1,570
Other payables and accruals		
– Accrued expenses	3,457	2,526
– Others	693	231
	5,928	4,327
Total	6,019	4,413

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

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	365	702
31 to 60 days	644	361
61 to 90 days	187	221
Over 90 days	582	286
	1,778	1,570

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:

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore dollars	4,353	3,273
Malaysia ringgit	593	592
Renminbi	372	242
Hong Kong dollars	212	217
US dollars	398	3
	<hr/> 5,928 <hr/>	<hr/> 4,327 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During FY2022, the revenue of the Group increased by approximately 44.9% to approximately S\$23.3 million. The increase was mainly due to the increase in sales orders led by output expansions across various clusters in the manufacturing sector in Singapore for the year. The gross profit of the Group increased by approximately 115.1% to approximately S\$10.7 million for FY2022 mainly due to (i) increase in revenue from the manufacturing business and (ii) the insensitivity of certain production overheads which were generally fixed in nature and did not increase in line with the increase in revenue. The Group recorded profit for the year attributable to owners of the Company (“**Net Profit**”) of approximately S\$2.1 million for FY2022 as compared to loss for the year attributable to owners of the Company (“**Net Loss**”) of approximately S\$3.1 million for FY2021. The turnaround from Net Loss to Net Profit for FY2022 was mainly due to (i) the increase in revenue from the manufacturing business and (ii) the insensitivity of certain production overheads which were generally fixed in nature and did not increase in line with the increase in revenue, and (iii) the decrease in legal and professional fees as the legal and professional fees incurred for the resumption of trading of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in FY2021 were non-recurring.

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 2022, and grew by 3.6% as compared with 2021. Meanwhile, the manufacturing sector of the Singapore economy has also expanded in 2022 due to output expansions across various clusters in the manufacturing sector including precision engineering clusters.

Our manufacturing business which engages in sheet metal fabrication with a focus on precision engineering has benefited from the sustained output expansions across various clusters in the manufacturing sector and continued to achieve significant growth in revenue in FY2022.

The Group launched our first mobile game in December 2020. In 2022, the Group continued to operate our mobile game and strengthened our research and development in order to develop and optimise our existing and new mobile games.

REVENUE

During FY2022, total revenue of the Group increased by approximately 44.9% to approximately S\$23.3 million (FY2021: approximately S\$16.1 million).

	Year ended 31 December 2022		Year ended 31 December 2021	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Manufacturing business	23,264	99.84	15,853	98.61
Online business	37	0.16	223	1.39
Total	23,301	100.00	16,076	100.00

MANUFACTURING BUSINESS

Sheet metal fabrication business

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

During FY2022, the revenue of the Group's manufacturing business increased by approximately 46.7% to approximately S\$23.3 million as compared to approximately S\$15.9 million for FY2021. Such increase in revenue was mainly due to increase in sales orders resulting from the continued growth in the manufacturing sector of Singapore in FY2022.

ONLINE BUSINESS

Mobile game business

During FY2022, the revenue from mobile game business under the online business segment decreased by approximately 83.4% to approximately S\$0.04 million as compared to approximately S\$0.22 million for FY2021.

The decrease in revenue from mobile game business was mainly due to the decrease in the number of players of our mobile games in FY2022.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group for FY2022 amounted to approximately S\$10.7 million, representing an increase of approximately S\$5.7 million or 115.1% as compared with the gross profit of approximately S\$5.0 million for FY2021. The Group's gross profit margin for FY2022 was approximately 46.0%, as compared with approximately 31.0% for FY2021. Such increases were mainly due to (i) increase in revenue from the manufacturing business and (ii) the insensitivity of certain production overheads which were generally fixed in nature and did not increase in line with the increase in revenue.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by approximately S\$0.4 million or 7.8% from approximately S\$5.6 million for FY2021 to approximately S\$5.2 million for FY2022. The decrease was mainly due to the decrease in legal and professional fees as the legal and professional fees incurred for the resumption of trading of the Company's shares on the Stock Exchange in FY2021 were non-recurring.

RESEARCH AND DEVELOPMENT EXPENSES FOR MOBILE GAMES

For FY2022, research and development expenses for our mobile games increased by approximately S\$0.4 million or 23.9% from approximately S\$1.7 million for FY2021 to approximately S\$2.1 million for FY2022. The research and development expenses mainly represented staff costs and outsourcing expenses incurred in developing and optimizing mobile games for our online business. The increase in the research and development expenses was mainly due to the increase in number of staff recruited as well as increase in outsourcing work for developments.

INCOME TAX EXPENSE

The Group's income tax expense primarily related to our operations in Singapore, Malaysia and China. For FY2022, income tax expense increased by approximately S\$0.6 million or 92.2% from approximately S\$0.6 million for FY2021 to approximately S\$1.2 million for FY2022. The increase was mainly due to the increase in profit generated from our manufacturing business in Singapore.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above factors, the Group recorded Net Profit of approximately S\$2.1 million for FY2022 (FY2021: Net Loss of approximately S\$3.1 million).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for FY2022 (FY2021: Nil).

OUTLOOK

The International Monetary Fund projected the global economy to grow at 2.9% for the year of 2023 according to their January 2023 review. In 2023, there are still many uncertainties affecting the global economy, including conflicts in Ukraine which is expected to lead to higher price of certain materials worldwide. In order to reduce inflation, the Federal Reserve in the United States of America and the European Central Bank have started raising interest rates, which may lead to further decline in the growth of the global economy.

Under such a challenging environment, 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 upgrading 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 the current challenging environment of our manufacturing business. Launching our mobile game in December 2020 was the Group's plan to diversify the online business. In 2023, the Group will continue to enrich our online business by developing and optimising our mobile game products. Going forward, the Group will keep reviewing its development strategy and operation of the online business with a view to adapt to market changes.

The Board will continue to focus on our core 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 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, 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"), 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 2022, the Group's total equity attributable to owners of the Company amounted to approximately S\$34.5 million (2021: approximately S\$32.7 million).

As at 31 December 2022, the Group's net current assets was approximately S\$23.8 million (2021: approximately S\$20.9 million) and the Group had cash and cash equivalents, short-term bank deposits and pledged bank deposits of approximately S\$23.5 million (2021: approximately S\$21.0 million). The Group had borrowings and lease liabilities of approximately S\$0.4 million (2021: approximately S\$0.2 million) and approximately S\$0.7 million (2021: approximately S\$1.1 million), respectively.

In FY2022, the average effective interest rate of the Group's bank borrowings was 3.53% per annum (FY2021: 3.41% per annum).

As at 31 December 2022, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 4.2 times (2021: approximately 4.7 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 3.0% (2021: approximately 4.1%).

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 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 2022, there was no significant investment held by the Group (2021: Nil).

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 FY2022.

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 2022.

CONTINGENT LIABILITIES

As at 31 December 2022, 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 (2021: Nil).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitments of approximately S\$0.12 million, which was related to acquisition of property, plant and equipment (2021: approximately S\$0.12 million).

EVENT OCCURRING AFTER THE REPORTING PERIOD

In February 2023, Luxuriant East Limited, a company wholly-owned by Mr. Li, provided a total of HK\$100 million (equivalent to S\$16.8 million) shareholder's loan (the "Shareholder's Loan") to the Company for the Group's business operations. The loan is interest-free, unsecured and has a term of five years.

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 Rules Governing the Listing of Securities (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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 209 full-time employees (2021: 184 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, Employee Provident Fund in Malaysia, Mandatory Provident Fund Scheme in Hong Kong and 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 2022, the Group retains part of the proceeds from the Listing in HKD and USD that are exposed to foreign exchange risk. During FY2022, 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 FY2022.

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 FY2022 were as follows:

Use of Net Proceeds:	Original allocation <i>HK\$ million</i>	Amount utilised 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>	Utilised	Unused amount as at 1 January 2022 <i>HK\$ million</i>	Utilised	Unused amount as at 31 December 2022 <i>HK\$ million</i>	Expected timeline for utilising the remaining proceeds	Updated expected timeline for utilising the remaining proceeds (<i>Note</i>)
					amount from the date of revised allocation to 1 January 2022 <i>HK\$ million</i>		amount from 1 January 2022 to 31 December 2022 <i>HK\$ million</i>			
Expansion in production capacity	46.8	16.8	30.0	8.9	2.8	6.1	1.2	4.9	Before 31 December 2022	Before 30 June 2024
Greater production automation	29.1	12.0	17.1	5.8	2.2	3.6	2.6	1.0	Before 31 December 2022	Before 30 June 2024
Enhancing our information technology system	9.4	1.1	8.3	1.9	0.2	1.7	0.3	1.4	Before 31 December 2022	Before 30 June 2024
Improving quality assurance capabilities	2.7	0.1	2.6	2.6	1.4	1.2	0.7	0.5	Before 31 December 2022	Before 30 June 2024
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	-	-	-		
	<u>95.2</u>	<u>36.0</u>	<u>59.2</u>	<u>59.2</u>	<u>46.6</u>	<u>12.6</u>	<u>4.8</u>	<u>7.8</u>		

As at 31 December 2022 and the date of this announcement, the unutilised Net Proceeds were placed in interest-bearing deposits with licensed banks in Hong Kong and Singapore.

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 (in particular the impact of the COVID-19 pandemic), the Board has resolved to delay the expected timeline for utilising the remaining proceeds to 30 June 2024 instead of 31 December 2022. 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.

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 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 14 to the Listing Rules on the Stock Exchange as its own code on corporate governance practices. During FY2022, the Company has complied with the applicable code provisions set out in the CG Code as contained in Part 2 of Appendix 14 to the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 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 FY2022.

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

During FY2022, 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 consolidated financial statements for FY2022 and the accounting principles and policies adopted by the Group and discussed risk management, internal control and financial reporting matters with the management.

REVIEW OF THIS ANNUAL 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 FY2022 as set forth in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for FY2022. 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 FY2022 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, 24 March 2023

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.