

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

## FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1721)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of FSM Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	2023 S\$'000 (unaudited)	2022 S\$'000 (unaudited)
Revenue	6	8,539	11,500
Cost of sales		(4,713)	(6,385)
<b>Gross profit</b>		<b>3,826</b>	<b>5,115</b>
Other income	7	9	122
Other gains – net	8	139	480
Selling and distribution expenses		(82)	(104)
Administrative expenses		(2,070)	(2,091)
Research and development expenses for mobile games		(1,342)	(846)
<b>Operating profit</b>		<b>480</b>	<b>2,676</b>
Finance income		298	10
Finance costs		(292)	(28)
Finance income/(costs), net	9	6	(18)
<b>Profit before income tax</b>	10	<b>486</b>	<b>2,658</b>
Income tax expense	11	(501)	(859)
<b>(Loss)/profit for the period attributable to owners of the Company</b>		<b>(15)</b>	<b>1,799</b>
<b>(Loss)/earnings per share for (loss)/profit attributable to owners of the Company</b>			
Basic and diluted (Singapore cents)	12	(0.0015)	0.1799

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
	(unaudited)	(unaudited)
<b>(Loss)/profit for the period</b>	(15)	1,799
<b>Other comprehensive loss:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(96)	(66)
<b>Other comprehensive loss for the period, net of tax</b>	(96)	(66)
<b>Total comprehensive (loss)/income for the period attributable to owners of the Company</b>	<b>(111)</b>	<b>1,733</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 S\$'000 (unaudited)	As at 31 December 2022 S\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	11,412	12,149
Right-of-use assets		769	489
Intangible assets		19	27
Rental deposit		72	–
		<u>12,272</u>	<u>12,665</u>
<b>Current assets</b>			
Inventories		2,509	3,251
Trade and other receivables	15	2,978	4,407
Pledged bank deposits		50	52
Short-term bank deposits		21,952	10,903
Cash and cash equivalents		19,138	12,577
		<u>46,627</u>	<u>31,190</u>
<b>Total assets</b>		<u>58,899</u>	<u>43,855</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	18	1,695	1,695
Reserves		25,027	20,855
Retained earnings		11,920	11,972
<b>Total equity</b>		<u>38,642</u>	<u>34,522</u>

		As at <b>30 June</b> <b>2023</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2022 <i>S\$'000</i> (audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>17</i>	<b>13,559</b>	272
Lease liabilities		<b>578</b>	448
Deferred income tax liabilities		<b>1,103</b>	1,112
Provision for reinstatement cost	<i>16</i>	<b>93</b>	91
		<u><b>15,333</b></u>	<u>1,923</u>
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>3,389</b>	5,928
Current income tax liabilities		<b>1,041</b>	1,164
Borrowings	<i>17</i>	<b>144</b>	92
Lease liabilities		<b>350</b>	226
		<u><b>4,924</b></u>	<u>7,410</u>
<b>Total liabilities</b>		<u><b>20,257</b></u>	<u>9,333</u>
<b>Total equity and liabilities</b>		<u><b>58,899</b></u>	<u>43,855</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 condensed consolidated interim financial information is presented in Singapore Dollar (“**S\$**” or “**SGD**”) unless otherwise stated.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 is prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”). The condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Except for the adoption of new and amended standards as set out below, the accounting policies applied and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022.

### (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 2023. The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group:

		<b>Effective for annual periods beginning on or after</b>
IFRS 17	Insurance Contracts	1 January 2023
IFRS 17	Amendments to IFRS17	1 January 2023
IFRS 17	Initial Application of IFRS 17 and IFRS9 – 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

**(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 2023 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
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

**4. ESTIMATES AND FINANCIAL RISK MANAGEMENT**

**(a) Estimates**

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

**(b) Financial risk management**

**4.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

There have been no changes in the risk management policies since year end.

**4.2 Fair value estimation**

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

**5. 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 before income tax**

	For the six months ended		
	30 June 2023		
	Manufacturing	Online	Total
	business	Business	
	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue ( <i>Note 6</i> )			
From external customers	<u>8,536</u>	<u>3</u>	<u>8,539</u>
Reportable segment results	<u><b>3,442</b></u>	<u><b>(2,193)</b></u>	<b>1,249</b>
Corporate income			122
Corporate expenses			<u>(885)</u>
Profit before income tax			<u><b>486</b></u>

	For the six months ended		
	30 June 2022		
	Manufacturing	Online	Total
	business	Business	
	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue ( <i>Note 6</i> )			
From external customers	<u>11,468</u>	<u>32</u>	<u>11,500</u>
Reportable segment results	<u><b>4,704</b></u>	<u><b>(1,608)</b></u>	<b>3,096</b>
Corporate income			105
Corporate expenses			<u>(543)</u>
Profit before income tax			<u><b>2,658</b></u>



(c) **Segment assets**

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

	<b>As at 30 June 2023 S\$'000 (unaudited)</b>	<b>As at 31 December 2022 S\$'000 (audited)</b>
Manufacturing business	42,427	41,837
Online business	<u>1,163</u>	<u>973</u>
Total segment assets	<b>43,590</b>	42,810
Corporate assets	<u>15,309</u>	<u>1,045</u>
Total assets	<b><u>58,899</u></b>	<b><u>43,855</u></b>

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

	<b>As at 30 June 2023 S\$'000 (unaudited)</b>	<b>As at 31 December 2022 S\$'000 (audited)</b>
Singapore	8,833	9,380
Hong Kong	10	66
The People's Republic of China (the "PRC")	533	109
Malaysia	<u>2,896</u>	<u>3,110</u>
Total non-current assets	<b><u>12,272</u></b>	<b><u>12,665</u></b>

**(d) Segment liabilities**

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

	<b>As at 30 June 2023 S\$'000 (unaudited)</b>	<b>As at 31 December 2022 S\$'000 (audited)</b>
Manufacturing business	4,944	5,932
Online business	<u>630</u>	<u>589</u>
Total segment liabilities	5,574	6,521
Corporate liabilities	<u>14,683</u>	<u>2,812</u>
Total liabilities	<u><u>20,257</u></u>	<u><u>9,333</u></u>

**(e) Disaggregation of revenue from contracts with customers**

The Group's revenue is mainly derived from sales to customers in Singapore. The breakdown of the Group's revenue by location of its customers is shown in the table below.

	<b>For the six months ended 30 June</b>	
	<b>2023 S\$'000 (unaudited)</b>	<b>2022 S\$'000 (unaudited)</b>
Singapore	8,536	11,468
Other countries	<u>3</u>	<u>32</u>
	<u><u>8,539</u></u>	<u><u>11,500</u></u>

## Information about major customers

For the six months ended 30 June 2023, there were three customers (six months ended 30 June 2022: two customers), which individually contributed over 10% of the Group's total revenue. During the period, the revenues contributed from these customers are as follows:

	For the six months ended	
	30 June	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Customer A	4,032	3,712
Customer B	3,164	6,598
Customer C	1,167	939*
	<u>8,363</u>	<u>11,249</u>

\* The corresponding revenue did not contribute over 10% of total revenue of the Group during the six months ended 30 June 2022.

## 6. REVENUE

Revenue from sale of manufactured sheet metal products, rendering of processing services and sale of in-game virtual items recognised during the six months ended 30 June 2023 are as follows:

	For the six months ended	
	30 June	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Sale of goods	8,312	11,151
Processing services	224	317
Sale of in-game virtual items	3	32
	<u>8,539</u>	<u>11,500</u>

7. OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Government grant	–	62
Scrap sales	5	24
Others	4	36
	<u>9</u>	<u>122</u>

8. OTHER GAINS – NET

	For the six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Foreign exchange gains	<u>139</u>	<u>480</u>

9. FINANCE INCOME/(COSTS), NET

	For the six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
	(unaudited)	(unaudited)
<b>Finance income</b>		
Bank deposits	<u>298</u>	<u>10</u>
<b>Finance costs</b>		
Unwinding of discount on shareholder's loan ( <i>Note</i> )	(261)	–
Other banking facilities	(10)	(2)
Lease liabilities	(19)	(24)
Reinstatement costs	<u>(2)</u>	<u>(2)</u>
	<u>(292)</u>	<u>(28)</u>
<b>Finance income/(costs), net</b>	<u>6</u>	<u>(18)</u>

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

## 10. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	For the six months ended	
	30 June	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold	1,767	3,066
Employee benefit expenses (including directors' emoluments)	2,470	2,896
Depreciation charge for property, plant and equipment and right-of-use assets	973	994
Amortisation of intangible assets	8	8
Operating lease expense in respect of short-term leases	22	19
Subcontractor fees	282	249
Utilities	177	370
Legal and professional fee	243	159
Research and development expenses for mobile games (including staff costs and excluding amortisation and depreciation charges)	1,325	830
Auditor's remuneration		
– Audit services	200	185
	<u>200</u>	<u>185</u>

## 11. INCOME TAX EXPENSE

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

	For the six months ended	
	30 June	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Current income tax	502	859
Deferred income tax	(1)	–
	<u>501</u>	<u>859</u>

**(a) Singapore corporate income tax**

Singapore corporate income tax is calculated at the rate of 17% on the chargeable income of the subsidiaries incorporated in Singapore in accordance with Singapore Income Tax Act during the six months ended 30 June 2023 (six months ended 30 June 2022: 17%).

**(b) Malaysia corporate income tax**

Malaysia corporate income tax is calculated at the rate of 24% on the chargeable income of the subsidiaries incorporated in Malaysia in accordance with Malaysia Income Tax Act during the six months ended 30 June 2023 (six months ended 30 June 2022: 24%).

**(c) The PRC corporate income tax**

According to the Enterprise Income Tax Law and the Implementation of the Enterprise Income Tax Law of the PRC, an entity eligible as a Small Low-profit Enterprise is subject to preferential tax treatments. From 1 January 2023 to 31 December 2024, a Small Low-profit Enterprise with annual taxable income of not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 25% (six months ended 30 June 2022: 12.5%) of its taxable income at tax rate of 20% (six months ended 30 June 2022: 20%). A subsidiary of the Group is eligible as a Small Low-profit Enterprise and is subject to the relevant preferential tax treatments.

**12. (LOSS)/EARNINGS PER SHARE**

**(a) Basic**

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023.

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss)/profit attributable to the owners of the Company ( <i>S\$'000</i> )	<u>(15)</u>	<u>1,799</u>
Weighted average number of ordinary shares in issue ( <i>in thousand</i> )	<u>1,000,000</u>	<u>1,000,000</u>
Basic (loss)/earnings per share in Singapore cents	<u><u>(0.0015)</u></u>	<u><u>0.1799</u></u>

(b) **Diluted**

For the six months ended 30 June 2023 and 2022, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential shares.

**13. INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

**14. PROPERTY, PLANT AND EQUIPMENT**

	<b>For the six months ended 30 June 2023 S\$'000 (unaudited)</b>
As at 1 January 2023	12,149
Additions	188
Depreciation	(768)
Currency translation differences	<u>(157)</u>
As at 30 June 2023	<u><u>11,412</u></u>
	<b>For the six months ended 30 June 2022 S\$'000 (unaudited)</b>
As at 1 January 2022	12,685
Additions	24
Depreciation	(780)
Currency translation differences	<u>(86)</u>
As at 30 June 2022	<u><u>11,843</u></u>

## 15. TRADE AND OTHER RECEIVABLES

	As at <b>30 June</b> <b>2023</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2022 <i>S\$'000</i> (audited)
Trade receivables	2,613	3,999
<i>Less: loss allowance</i>	<u>—</u>	<u>—</u>
Trade receivables, net	2,613	3,999
Prepayments	123	147
Deposits	154	151
Other receivables	<u>88</u>	<u>110</u>
	<b><u>2,978</u></b>	<b><u>4,407</u></b>

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:

	As at <b>30 June</b> <b>2023</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2022 <i>S\$'000</i> (audited)
0 to 30 days	1,427	2,050
31 to 60 days	1,097	1,764
61 to 90 days	88	131
Over 90 days	<u>1</u>	<u>54</u>
	<b><u>2,613</u></b>	<b><u>3,999</u></b>



**16. TRADE AND OTHER PAYABLES AND PROVISION FOR REINSTATEMENT COST**

	As at <b>30 June</b> <b>2023</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2022 <i>S\$'000</i> (audited)
<b>Non-current</b>		
Provision for reinstatement cost	93	91
<b>Current</b>		
Trade payables	886	1,778
Other payables and accruals		
– Accrued expenses	2,358	3,457
– Others	145	693
	<u>3,389</u>	<u>5,928</u>
<b>Total</b>	<b><u>3,482</u></b>	<b><u>6,019</u></b>

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

	As at <b>30 June</b> <b>2023</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2022 <i>S\$'000</i> (audited)
0 to 30 days	169	365
31 to 60 days	256	644
61 to 90 days	143	187
Over 90 days	318	582
	<u>886</u>	<u>1,778</u>

## 17. BORROWINGS

	As at <b>30 June</b> <b>2023</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2022 <i>S\$'000</i> (audited)
Shareholder's loan	<b>13,199</b>	–
Other banking facilities	<b>504</b>	364
	<hr/>	<hr/>
Total borrowings	<b>13,703</b>	364
	<hr/>	<hr/>
Of which		
Non-current liabilities	<b>13,559</b>	272
Current liabilities	<b>144</b>	92
	<hr/>	<hr/>
	<b>13,703</b>	364
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of the Group's borrowings approximated their fair values and were denominated in Hong Kong Dollar ("HK\$" or "HKD") and S\$.

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

Other banking facilities mainly represented the financing arrangements between the Group and banks for the acquisition of machineries. The other banking facilities were secured by pledged bank deposits and certain machineries as at 30 June 2023 and 31 December 2022.

## 18. SHARE CAPITAL

	Number of shares	Share capital <i>S\$'000</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31 December 2022 and 30 June 2023	<u>2,000,000,000</u>	<u>3,390</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 31 December 2022 and 30 June 2023	<u>1,000,000,000</u>	<u>1,695</u>

## 19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments contracted for but not provided in the condensed consolidated financial statements:

	As at 30 June 2023 <i>S\$'000</i> (unaudited)	As at 31 December 2022 <i>S\$'000</i> (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment	<u>90</u>	<u>120</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

### **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 detail 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.

According to data released by the Ministry of Trade and Industry of Singapore, the Singapore economy recorded a continued growth in the first half of 2023 and grew by 0.4% and 0.7% on a year-on-year basis in the first quarter and second quarter of 2023, respectively. However, the manufacturing sector in Singapore contracted by 5.3% and 7.5% on a year-on-year basis in the first quarter and second quarter of 2023 respectively due to the decline of output across all manufacturing clusters, except for the transport engineering cluster.

For the six months ended 30 June 2023, the Group's manufacturing segment recorded total revenue of approximately S\$8.54 million, representing a decrease of approximately S\$2.93 million or 25.6%, from approximately S\$11.47 million for the six months ended 30 June 2022. The decrease in revenue was mainly due to the decrease in sales orders as a result of economic slowdown in the first half of 2023.

## **ONLINE BUSINESS**

### **Mobile game business**

For the six months ended 30 June 2023, the revenue from mobile game business under the online business segment was approximately S\$3,000 (six months ended 30 June 2022: approximately S\$0.03 million).

The Group launched our first mobile game to the market since December 2020. In the first half of 2023, the Group has continued to operate our mobile game and strengthened our research and development in order to develop and optimise our existing and new mobile games.

## **BUSINESS PROSPECTS**

The International Monetary Fund has projected the global economy to grow at 3.0% in 2023 according to their July 2023 review. However, in the second half of 2023, there are still many uncertainties affecting the global economy such as inflation and the Ukraine-Russia war situation. Also, in part as a result of unresolved real estate problems, China's economy may face various challenges which may cause negative cross-border spillovers.

In the face of a challenging business environment, the Group remains committed to maintaining strong relationships with both existing and potential customers in its manufacturing business. This will involve deploying outreach strategies and upgrading machinery and robotics to enhance production efficiency and competency. The Group also intends to manage its business expenses carefully by continually seeking ways to reduce production and operating costs.

To diversify its revenue stream, the Group launched a mobile game in December 2020, and it will continue to enrich its online business by developing and optimising mobile game products in the second half of 2023. The Group recognises the importance of adapting to market changes, and will regularly review its development strategy and operation of the online business.

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.

## FINANCIAL REVIEW

### Revenue

The following table sets forth the breakdown of the Group's revenue from (i) manufacturing business and (ii) online business for the six months ended 30 June 2023 and 2022:

	For the six months ended 30 June			
	2023		2022	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
	(unaudited)		(unaudited)	
Manufacturing business	<b>8,536</b>	<b>99.96</b>	11,468	99.72
Online business	<b>3</b>	<b>0.04</b>	32	0.28
Total	<b><u>8,539</u></b>	<b><u>100.00</u></b>	<b><u>11,500</u></b>	<b><u>100.00</u></b>

For the six months ended 30 June 2023, the Group's revenue decreased by approximately S\$2.96 million or 25.7% compared to the same period in 2022. The decrease was mainly due to decrease in revenue from the manufacturing business, as sales orders dropped as a result of economic slowdown.

## **Gross profit and gross profit margin**

The Group's gross profit decreased by approximately S\$1.29 million from approximately S\$5.12 million for the six months ended 30 June 2022 to approximately S\$3.83 million for the six months ended 30 June 2023. The Group's gross profit margin increased slightly from approximately 44.5% for the six months ended 30 June 2022 to approximately 44.8% for the six months ended 30 June 2023. The decrease in the Group's gross profit was mainly due to the decrease in revenue from the manufacturing business in the first half of 2023.

## **Administrative expenses**

The Group's administrative expenses decreased by approximately S\$0.02 million or 1.0% from approximately S\$2.09 million for the six months ended 30 June 2022 to approximately S\$2.07 million for the six months ended 30 June 2023. The decrease was mainly driven by better cost control and the enhancement of operation efficiency.

## **Research and development expenses for mobile games**

The Group's research and development expenses which mainly consisted of staff costs and other costs incurred in developing and optimising the Group's mobile games increased by approximately S\$0.49 million from approximately S\$0.85 million for the six months ended 30 June 2022 to approximately S\$1.34 million for the six months ended 30 June 2023. The increase was mainly due to increase in outsourcing work and staff costs incurred in developing and optimising the Group's mobile games.

## **Income tax expense**

The Group's income tax expense primarily related to our operations in Singapore, Malaysia and the PRC. The income tax expense decreased by approximately S\$0.36 million or 41.7% from approximately S\$0.86 million for the six months ended 30 June 2022 to approximately S\$0.50 million for the six months ended 30 June 2023. The decrease was mainly due to the decrease in profit generated from our manufacturing business in Singapore.

### **(Loss)/profit for the period attributable to owners of the Company**

As a result of the above factors, the Group recorded a loss of approximately S\$0.02 million attributable to owners of the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: profit of approximately S\$1.80 million).

### **Interim dividend**

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

### **Liquidity and financial resources**

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

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

As at 30 June 2023, the Group's total equity attributable to owners of the Company amounted to approximately S\$38.64 million (31 December 2022: approximately S\$34.52 million).

As at 30 June 2023, the Group's net current assets were approximately S\$41.70 million (31 December 2022: approximately S\$23.78 million) and the Group had cash and cash equivalents, short-term bank deposits and pledged bank deposits of approximately S\$41.14 million (31 December 2022: approximately S\$23.53 million). The Group had borrowings and lease liabilities of approximately S\$13.70 million (31 December 2022: approximately S\$0.36 million) and approximately S\$0.93 million (31 December 2022: approximately S\$0.67 million), respectively.



As at 30 June 2023, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the period/year) was approximately 9.5 times (31 December 2022: approximately 4.2 times). The Group's gearing ratio (calculated by dividing total borrowings and lease liabilities by total equity as at the end of the period/year) was approximately 37.9% (31 December 2022: approximately 3.0%).

### **Shareholder's Loan**

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

### **Capital Structure**

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

### **Pledge of Assets**

The Group's other banking facilities which were secured by pledged bank deposits of S\$0.05 million and the Group's machineries of S\$0.70 million as at 30 June 2023 (31 December 2022: S\$0.05 million and S\$0.54 million).

### **Significant Investments, Material Acquisition and Disposal of Subsidiaries and Associated Companies**

There were no significant investments held, material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 June 2023.

### **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 additions of capital assets as at 30 June 2023.

### **Contingent Liabilities**

As at 30 June 2023, the Group did not have any significant contingent liability, guarantee or any litigation against the Group that would have a material impact on the Group’s financial position or results of operations.

### **Capital Commitments**

As at 30 June 2023, the Group had capital commitments of approximately S\$0.09 million, which was related to acquisition of property, plant and equipment (31 December 2022: S\$0.12 million).

### **Events Occurring After the Reporting Period**

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

### **Foreign Exchange Risk**

The Group’s business operations were conducted in Singapore, Malaysia, Hong Kong and the PRC. The sales of the Group are denominated in HKD, USD and SGD. 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 30 June 2023, the Group retains part of the proceeds from the Listing in HKD and USD that are exposed to foreign exchange risk. During the period, there was no material adverse 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 period.

## **Employees and Remuneration Policies**

As at 30 June 2023, the Group employed 205 full-time employees (31 December 2022: 209 employees). The employees' salaries are determined based on each employee's qualification, experience, performance and suitability. The Directors receive compensation in the form of fees, salaries and discretionary bonuses related to the Group's performance. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board. The Group also provides on-work training to the employees to improve technical competence and occupational health and safety.

## **Share Option Scheme**

The Company adopted a share option scheme on 22 June 2018 (the "**Scheme**") and shall expire on 22 June 2028. Pursuant to the Scheme, certain eligible participants, among others, the Directors and employees of the Group, may be granted options to subscribe for shares of the Company (the "**Shares**"). The purpose of the Scheme is to provide incentives or rewards to employees for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources. A summary of the principal terms of the Scheme is set out in the paragraph headed "D. Share Option Scheme" in Appendix V to the Prospectus. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No share option has been granted, exercised, cancelled or lapsed since the adoption of the Scheme and there was no share option outstanding as at 30 June 2023.

## **Use of 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 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 the period and from the Listing Date up to 30 June 2023 were as follows:

Use of Net Proceeds:	Original allocation <i>HK\$ million</i>	Amount utilised up to the date	Unused amount up to the date	Revised allocation	Utilised amount from the date of revised allocation to 1 January 2023	Unused amount as at 1 January 2023	Utilised amount from 1 January 2023 to 30 June 2023	Unused amount as at 30 June 2023	Expected timeline for utilising the remaining proceeds (Note)
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Expansion in production capacity	46.8	16.8	30.0	8.9	4.0	4.9	0.6	4.3	Before 30 June 2024
Greater production automation	29.1	12.0	17.1	5.8	4.8	1.0	0.9	0.1	Before 30 June 2024
Enhancing our information technology system	9.4	1.1	8.3	1.9	0.5	1.4	0.4	1.0	Before 30 June 2024
Improving quality assurance capabilities	2.7	0.1	2.6	2.6	2.1	0.5	0.2	0.3	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>51.4</u>	<u>7.8</u>	<u>2.1</u>	<u>5.7</u>	

As at 30 June 2023 and the date of this announcement, the unutilised Net Proceeds were placed in interest-bearing deposits with licensed banks in Hong Kong and Singapore. The Group expects to gradually utilise the remaining Net Proceeds in the manner mentioned in the table above and as stated in the announcement of the Company dated 29 September 2020, including but not limited to developing our production facilities and introducing an ERP system.

*Note:* The expected timeline for utilising the remaining Net 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. 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 as its own code on corporate governance practices. During the six months ended 30 June 2023, 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.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group’s unaudited condensed consolidated interim results for the six months ended 30 June 2023 and discussed with the management on the accounting principles and practices, financial reporting process, risk management, and internal control systems adopted by the Group, with no disagreement by the Audit Committee.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Group adopted the Model Code of the Listing Rules as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code of the Listing Rules during the six months ended 30 June 2023.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement will be published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.fsmtech.com](http://www.fsmtech.com)). The interim report of the Company for the six months ended 30 June 2023 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, 29 August 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.*