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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 2023**

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 2023 (“**FY2023**”), together with the comparative figures for the corresponding period in 2022 (“**FY2022**”).

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2023*

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023*

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

	<i>Note</i>	<b>2023</b> <i>S\$'000</i>	2022 <i>S\$'000</i>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>13,548</b>	272
Lease liabilities		<b>395</b>	448
Deferred income tax liabilities		<b>931</b>	1,112
Provision for reinstatement cost	<i>13</i>	<b>95</b>	91
		<u><b>14,969</b></u>	<u>1,923</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>4,461</b>	5,928
Contract liabilities		<b>303</b>	–
Current income tax liabilities		<b>819</b>	1,164
Borrowings		<b>147</b>	92
Lease liabilities		<b>374</b>	226
		<u><b>6,104</b></u>	<u>7,410</u>
<b>Total liabilities</b>		<u><b>21,073</b></u>	<u>9,333</u>
<b>Total equity and liabilities</b>		<u><b>55,185</b></u>	<u>43,855</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 (“**SGD**” or “**S\$**”), unless otherwise stated.

## 2 SUMMARY OF ACCOUNTING POLICY INFORMATION

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

### 2.1 Basis of preparation

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

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

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

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

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

(b) *Amendment to existing standards not yet adopted*

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

		<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
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

### 3 SEGMENT INFORMATION

(a) **Description of segments and principal activities**

The Chief Operating Decision Maker (“CODM”), including Mr. Li Thet and Mr. Toe Tiong Hock, 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 2023		
	Manufacturing business S\$'000	Online business S\$'000	Total S\$'000
Reportable segment revenue ( <i>Note 4</i> )			
Point in time	15,556	–	15,556
Overtime	287	228	515
	<u>15,843</u>	<u>228</u>	<u>16,071</u>
Reportable segment results	<u>3,702</u>	<u>(5,688)</u>	<u>(1,986)</u>
Corporate income			258
Corporate expenses			<u>(2,399)</u>
Loss before income tax			<u><u>(4,127)</u></u>
Other segment information:			
Additions to property, plant and equipment	198	26	224
Additions to right-of-use asset	29	502	531
Finance income	400	1	401
Finance costs	(49)	(15)	(64)
Depreciation and amortisation	<u>(1,549)</u>	<u>(291)</u>	<u>(1,840)</u>

	Year ended 31 December 2022		
	Manufacturing business S\$'000	Online business S\$'000	Total S\$'000
Reportable segment revenue ( <i>Note 4</i> )			
Point in time	22,543	–	22,543
Overtime	721	37	758
	<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>
Other segment information:			
Additions to property, plant and equipment	1,187	12	1,199
Additions to right-of-use asset	18	–	18
Finance income	141	1	142
Finance costs	(36)	(10)	(46)
Depreciation and amortisation	<u>(1,544)</u>	<u>(302)</u>	<u>(1,846)</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.

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

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

	<b>2023</b>	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore	<b>8,180</b>	9,380
Hong Kong	<b>6</b>	66
The People's Republic of China (the "PRC")	<b>408</b>	109
Malaysia	<b>2,807</b>	3,110
	<u>11,401</u>	<u>12,665</u>
Total non-current assets	<u><b>11,401</b></u>	<u>12,665</u>

**(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.

	<b>2023</b>	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Manufacturing business	<b>3,942</b>	5,932
Online business	<b>1,608</b>	589
	<u>5,550</u>	<u>6,521</u>
Total segment liabilities	<b>5,550</b>	6,521
Corporate liabilities	<b>15,523</b>	2,812
	<u>21,073</u>	<u>9,333</u>
Total liabilities	<u><b>21,073</b></u>	<u>9,333</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 breakdown by location of the customers is shown in the table below.

	<b>2023</b>	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore	<b>15,843</b>	23,264
Other countries	<b>228</b>	37
	<u>16,071</u>	<u>23,301</u>
	<u><b>16,071</b></u>	<u>23,301</u>

### ***Information about major customers***

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

	<b>2023</b>	2022
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Customer A	<b>5,670</b>	12,361
Customer B	<b>7,851</b>	8,821
Customer C	<b>1,952</b>	1,404*

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

## **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:

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

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

## **5 OTHER INCOME**

	<b>2023</b>	2022
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Scrap sales	<b>12</b>	38
Others	<b>7</b>	5
	<b>19</b>	43

## 6 OTHER LOSSES, NET

	2023 S\$'000	2022 S\$'000
Foreign exchange losses, net	(945)	(217)
Gain on disposal of property, plant and equipment	<u>1</u>	<u>74</u>
	<u>(944)</u>	<u>(143)</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:

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

## 8 FINANCE (COSTS)/INCOME, NET

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

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

## 9 INCOME TAX EXPENSE

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

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

### (a) Singapore corporate income tax

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

**(b) Malaysia corporate income tax**

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

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

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

**(d) Hong Kong profits tax**

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

**(e) Cayman Islands and British Virgin Islands corporate income tax**

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the years ended 31 December 2023 and 2022.

**10 (LOSS)/EARNINGS PER SHARE**

**(a) Basic**

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

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

**(b) Diluted**

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

## 11 TRADE AND OTHER RECEIVABLES

	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
Trade receivables	2,558	3,999
Less: loss allowance	—	—
	<hr/>	<hr/>
Trade receivables, net	2,558	3,999
Prepayments	300	147
Deposits	73	151
Other receivables	112	110
	<hr/>	<hr/>
	<b>3,043</b>	<b>4,407</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
0 to 30 days	1,430	2,050
31 to 60 days	1,045	1,764
61 to 90 days	75	131
Over 90 days	8	54
	<hr/>	<hr/>
	<b>2,558</b>	<b>3,999</b>
	<hr/> <hr/>	<hr/> <hr/>

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:

	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
Singapore dollars	1,411	2,007
United States dollars	1,143	2,176
Malaysia ringgits	109	93
Hong Kong dollars	358	53
Renminbi	22	78
	<hr/>	<hr/>
	<b>3,043</b>	<b>4,407</b>
	<hr/> <hr/>	<hr/> <hr/>

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 S\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
As at 31 December 2023 and 31 December 2022	<u>2,000,000,000</u>	<u>3,390</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
As at 31 December 2023 and 31 December 2022	<u>1,000,000,000</u>	<u>1,695</u>

## 13 TRADE AND OTHER PAYABLES AND PROVISION FOR REINSTATEMENT COST

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

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

	<b>2023</b> <i>S\$'000</i>	2022 <i>S\$'000</i>
0 to 30 days	<b>185</b>	365
31 to 60 days	<b>233</b>	644
61 to 90 days	<b>98</b>	187
Over 90 days	<b>65</b>	582
	<u><b>581</b></u>	<u>1,778</u>

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

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

	<b>2023</b> <i>S\$'000</i>	2022 <i>S\$'000</i>
Singapore dollars	<b>2,942</b>	4,353
Malaysia ringgits	<b>465</b>	593
Renminbi	<b>378</b>	372
Hong Kong dollars	<b>344</b>	212
United States dollars	<b>332</b>	398
	<u><b>4,461</b></u>	<u>5,928</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

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

### BUSINESS REVIEW

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

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

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

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

## REVENUE

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	S\$'000	%	S\$'000	%
Manufacturing business	<b>15,843</b>	<b>98.58</b>	23,264	99.84
Online business	<b>228</b>	<b>1.42</b>	37	0.16
Total	<b><u>16,071</u></b>	<b><u>100.00</u></b>	<u>23,301</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 FY2023, the revenue of the Group's manufacturing business decreased by approximately 31.9% to approximately S\$15.8 million as compared to approximately S\$23.3 million for FY2022. Such decrease in revenue was mainly due to decrease in sales orders from our customers as a result of the decrease in market demand in the Singapore sheet metal fabrication industry.

## **ONLINE BUSINESS**

### **Mobile game business**

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

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

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

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

## **ADMINISTRATIVE EXPENSES**

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

## **RESEARCH AND DEVELOPMENT EXPENSES FOR MOBILE GAMES**

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

## **INCOME TAX EXPENSE**

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

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

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

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for FY2023 (FY2022: Nil).

## **OUTLOOK**

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

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

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

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

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

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

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

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

## **SHAREHOLDER’S LOAN**

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

## **CAPITAL STRUCTURE**

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

## **SIGNIFICANT INVESTMENT HELD BY THE GROUP**

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

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

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the prospectus of the Company dated 29 June 2018 (the “**Prospectus**”), the Group did not have other future plans for material investments or capital assets as at 31 December 2023.

## **CONTINGENT LIABILITIES**

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

## **CAPITAL COMMITMENTS**

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

## **EVENT OCCURRING AFTER THE REPORTING PERIOD**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2023, the Group employed 207 full-time employees (2022: 209 employees). The Group has paid remuneration to its staff with reference to the industry practice, the financial performance of the Group and the employee's work performance. In order to attract and retain valuable employees, the performance of the Group's employees are being reviewed annually.

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

Apart from the Group's various pension schemes (including Central Provident Fund in Singapore, 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 the PRC) and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Group's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

## **FOREIGN EXCHANGE RISK**

The Group's business operations were conducted in Singapore, Malaysia, Hong Kong and the PRC. The sales of the Group are denominated in USD, SGD and HKD. Majority of the purchases and other costs of the Group are denominated in SGD, USD, MYR, HKD and RMB. The functional currency of the Company is SGD. The Group is exposed to foreign exchange risk, primarily USD, RMB and HKD. As at 31 December 2023, the Group retains part of the proceeds from the Listing in HKD and USD that are exposed to foreign exchange risk. During FY2023, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during FY2023.

## USE OF NET PROCEEDS FROM THE LISTING

The Group completed its Listing and received net proceeds of approximately HK\$95.2 million (“**Net Proceeds**”). The Net Proceeds had been used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus and the announcement of the Company dated 29 September 2020. On 29 September 2020, the Board, having considered the business environment and development of the Group (in particular the impact of the COVID-19 pandemic), resolved to change the use of the remaining unutilised Net Proceeds. For details of the revised allocation, please refer to the announcement of the Company dated 29 September 2020. Applications of the Net Proceeds during FY2023 were as follows:

Use of Net Proceeds:	Original allocation <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	Utilised	Unused	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 2023 <i>HK\$ million</i>	amount as at 1 January 2023 <i>HK\$ million</i>	amount from 1 January 2023 to 31 December 2023 <i>HK\$ million</i>	amount as at 31 December 2023 <i>HK\$ million</i>		
Expansion in production capacity	46.8	16.8	30.0	8.9	4.0	4.9	2.6	2.3	Before 30 June 2024	Before 31 December 2024
Greater production automation	29.1	12.0	17.1	5.8	4.8	1.0	1.0	-		
Enhancing our information technology system	9.4	1.1	8.3	1.9	0.5	1.4	1.4	-		
Improving quality assurance capabilities	2.7	0.1	2.6	2.6	2.1	0.5	0.5	-		
Increasing marketing efforts	1.2	-	1.2	-	-	-	-	-		
General working capital and other corporate purposes	6.0	6.0	-	10.0	10.0	-	-	-		
Working capital for the business of precision engineering and precision machining services	-	-	-	30.0	30.0	-	-	-		
	<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>5.5</u>	<u>2.3</u>		

As at 31 December 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 accordance with the manner and timeline mentioned in the table above and as stated in the announcement of the Company dated 29 September 2020, including but not limited to developing our production facilities.

### Note:

The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group and will be subject to change based on future development or market conditions. As a result of the recent business environment and development of the Group, the Board has resolved to delay the expected timeline for utilising the remaining proceeds to 31 December 2024 instead of 30 June 2024. Such delay in the expected timeline for utilising the remaining proceeds does not constitute any change or effective change to the allocation of proceeds and will not have any material adverse impact on the operations of the Group. The Company will keep reviewing the use of proceeds in light of the recent market conditions.

## **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 C1 to the Listing Rules on the Stock Exchange as its own code on corporate governance practices. During FY2023, the Company has complied with the applicable code provisions set out in the CG Code as contained in Part 2 of Appendix C1 to the Listing Rules.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiries made by the Company, that they fully complied with the Model Code during FY2023.

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

During FY2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed the Group’s audited consolidated financial statements for FY2023 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 FY2023 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 FY2023. 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](http://www.hkex.com.hk)) and the Company ([www.fsmtch.com](http://www.fsmtch.com)). The annual report of the Company for FY2023 will be despatched to shareholders of the Company (if requested) 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 2024

*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.*