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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 2024

The board (the “**Board**”) of directors (the “**Directors**”) of FSM Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
	<i>Notes</i>	2024	2023
		<i>S\$'000</i>	<i>S\$'000</i>
		(unaudited)	(unaudited)
Revenue	6	7,043	8,539
Cost of sales		(4,228)	(4,713)
Gross profit		2,815	3,826
Other income	7	13	9
Other gains — net	8	1,181	139
Selling and distribution expenses		(229)	(82)
Administrative expenses		(2,575)	(2,070)
Research and development expenses for mobile games		(1,432)	(1,342)
Operating (loss)/profit		(227)	480
Finance income		536	298
Finance costs		(426)	(292)
Finance income, net	9	110	6
(Loss)/profit before income tax	10	(117)	486
Income tax expense	11	(296)	(501)
Loss for the period attributable to owners of the Company		(413)	(15)
Loss per share for loss attributable to owners of the Company			
Basic and diluted (Singapore cents)	12	(0.0413)	(0.0015)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(413)	(15)
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(487)	(96)
Other comprehensive loss for the period, net of tax	(487)	(96)
Total comprehensive loss for the period attributable to owners of the Company	(900)	(111)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
Assets			
Non-current assets			
Property, plant and equipment	<i>14</i>	10,256	10,685
Right-of-use assets		833	629
Intangible assets		11	15
Rental deposit		14	72
		11,114	11,401
Current assets			
Inventories		1,107	1,756
Trade and other receivables	<i>15</i>	2,600	3,043
Short-term bank deposits		51	49
Cash and cash equivalents		38,710	38,936
		42,468	43,784
Total assets		53,582	55,185
Equity			
Equity attributable to owners of the Company			
Share capital	<i>19</i>	1,695	1,695
Reserves		24,889	25,367
Retained earnings		6,628	7,050
Total equity		33,212	34,112

		As at 30 June 2024 <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
Liabilities			
Non-current liabilities			
Borrowings	<i>18</i>	14,282	13,548
Lease liabilities		484	395
Deferred income tax liabilities		884	931
Provision for reinstatement cost	<i>16</i>	97	95
		<u>15,747</u>	<u>14,969</u>
Current liabilities			
Trade and other payables	<i>16</i>	3,142	4,461
Contract liabilities	<i>17</i>	41	303
Current income tax liabilities		825	819
Borrowings	<i>18</i>	150	147
Lease liabilities		465	374
		<u>4,623</u>	<u>6,104</u>
Total liabilities		<u>20,370</u>	<u>21,073</u>
Total equity and liabilities		<u>53,582</u>	<u>55,185</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 2024 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 2023.

3. MATERIAL ACCOUNTING POLICIES

Except for the adoption of 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 2023.

(a) Amendments to standards adopted by the Group

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2024. The adoption of these amendments to existing standards does not have any significant impact to the results and financial position of the Group:

		Effective for annual periods beginning on or after
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

(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 2024 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
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

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 2023.

(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 2023.

There have been no changes in the risk management policies since 31 December 2023.

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, 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 Makers ("CODMs"), including Mr. Li Thet ("Mr. Li") and Mr. Toe Tiong Hock ("Mr. Toe"), monitor the results of the Company's operating segments for the purpose of making decisions about resource allocation and performance assessment. The CODMs have 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

	For the six months ended 30 June 2024		
	Manufacturing business S\$'000 (unaudited)	Online business S\$'000 (unaudited)	Total S\$'000 (unaudited)
Reportable segment revenue (Note 6)			
Point in time	6,123	–	6,123
Overtime	26	894	920
	<u>6,149</u>	<u>894</u>	<u>7,043</u>
Reportable segment results	<u>2,251</u>	<u>(2,374)</u>	(123)
Corporate income			881
Corporate expenses			<u>(875)</u>
Loss before income tax			<u>(117)</u>

	For the six months ended 30 June 2023		
	Manufacturing business S\$'000 (unaudited)	Online business S\$'000 (unaudited)	Total S\$'000 (unaudited)
Reportable segment revenue (Note 6)			
Point in time	8,312	–	8,312
Overtime	224	3	227
	<u>8,536</u>	<u>3</u>	<u>8,539</u>
Reportable segment results	<u>3,442</u>	<u>(2,193)</u>	1,249
Corporate income			122
Corporate expenses			<u>(885)</u>
Profit before income tax			<u>486</u>

(c) **Segment assets**

All assets are allocated based on the operations of the segment and the physical location of the assets.

	As at 30 June 2024 S\$'000 (unaudited)	As at 31 December 2023 S\$'000 (audited)
Manufacturing business	33,480	32,147
Online business	1,992	2,126
	<hr/>	<hr/>
Total segment assets	35,472	34,273
Corporate assets	18,110	20,912
	<hr/>	<hr/>
Total assets	53,582	55,185
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30 June 2024 S\$'000 (unaudited)	As at 31 December 2023 S\$'000 (audited)
Singapore	7,730	8,180
Hong Kong	382	6
The People's Republic of China (the "PRC")	228	408
Malaysia	2,774	2,807
	<hr/>	<hr/>
Total non-current assets	11,114	11,401
	<hr/> <hr/>	<hr/> <hr/>

(d) Segment liabilities

All liabilities, except for current and deferred income tax liabilities, certain other payables, and certain borrowings that are not managed directly by segments, are allocated to operating segments.

	As at 30 June 2024 S\$'000 (unaudited)	As at 31 December 2023 S\$'000 (audited)
Manufacturing business	3,320	3,942
Online business	<u>1,014</u>	<u>1,608</u>
Total segment liabilities	4,334	5,550
Corporate liabilities	<u>16,036</u>	<u>15,523</u>
Total liabilities	<u><u>20,370</u></u>	<u><u>21,073</u></u>

(e) Disaggregation of revenue from contracts with customers

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

	For the six months ended 30 June	
	2024 S\$'000 (unaudited)	2023 S\$'000 (unaudited)
Singapore	6,149	8,536
Other countries	<u>894</u>	<u>3</u>
	<u><u>7,043</u></u>	<u><u>8,539</u></u>

Information about major customers

For the six months ended 30 June 2024, there were two customers (six months ended 30 June 2023: three customers), which individually contributed over 10% of the Group's total revenue. During the periods, the revenues contributed from these customers are as follows:

	For the six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Customer A	3,381	4,032
Customer B	2,447	3,164
Customer C	285*	1,167
	<u> </u>	<u> </u>

* *The revenue did not contribute over 10% of total revenue of the Group for the six months ended 30 June 2024.*

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 2024 and 2023, respectively, are as follows:

	For the six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Sale of goods	6,123	8,312
Processing services	26	224
Sale of in-game virtual items	894	3
	<u> </u>	<u> </u>
	<u>7,043</u>	<u>8,539</u>

7. OTHER INCOME

	For the six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Scrap sales	7	5
Others	6	4
	<u>13</u>	<u>9</u>

8. OTHER GAINS — NET

	For the six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Foreign exchange gains, net	<u>1,181</u>	<u>139</u>

9. FINANCE INCOME, NET

	For the six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Finance income		
Bank deposits	<u>536</u>	<u>298</u>
Finance costs		
Unwinding of discount on shareholder's loan (<i>Note</i>)	(396)	(261)
Other banking facilities	(8)	(10)
Lease liabilities	(20)	(19)
Reinstatement costs	<u>(2)</u>	<u>(2)</u>
	<u>(426)</u>	<u>(292)</u>
Finance income, net	<u>110</u>	<u>6</u>

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

10. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging:

	For the six months ended 30 June	
	2024	2023
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold	1,565	1,767
Subcontractor fees	95	282
Provision for impairment of inventories	217	–
Employee benefit expenses — other (including directors' emoluments)	2,796	2,470
Depreciation charge for property, plant and equipment	604	768
Depreciation charge for right-of-use assets	186	205
Amortisation of intangible assets	4	8
Operating lease expense in respect of short-term leases	31	22
Research and development expenses for mobile games (including staff costs and excluding amortisation charge and depreciation charge)	1,423	1,325
Advertisement for mobile games	174	18
Legal and professional fees	201	243
Auditor's remuneration — Audit services	173	200

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	
	2024	2023
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Current income tax	343	502
Deferred income tax	(47)	(1)
Income tax expense	296	501

(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 2024 (six months ended 30 June 2023: 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 2024 (six months ended 30 June 2023: 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% (six months ended 30 June 2023: 25%) of its taxable income at tax rate of 20% (six months ended 30 June 2023: 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% (six months ended 30 June 2023: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (six months ended 30 June 2023: 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% (six months ended 30 June 2023: 16.5%). The Group's subsidiaries incorporated in Hong Kong are not subject to Hong Kong profits tax as there is no assessable profit arising in and derived from Hong Kong for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 six months ended 30 June 2024 and 2023.

12. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024.

	For the six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Loss attributable to the owners of the Company (<i>\$S'000</i>)	<u>(413)</u>	<u>(15)</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 per share in Singapore cents	<u><u>(0.0413)</u></u>	<u><u>(0.0015)</u></u>

(b) Diluted

For the six months ended 30 June 2024 and 2023, diluted loss per share equals basic loss per share as there was no potential dilutive shares.

13. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2024 S\$'000 (unaudited)
As at 1 January 2024	10,685
Additions	165
Depreciation	(604)
Currency translation differences	10
	<hr/>
As at 30 June 2024	10,256
	<hr/> <hr/>
	For the six months ended 30 June 2023 S\$'000 (unaudited)
As at 1 January 2023	12,149
Additions	188
Depreciation	(768)
Currency translation differences	(157)
	<hr/>
As at 30 June 2023	11,412
	<hr/> <hr/>

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
Trade receivables	1,951	2,558
<i>Less: loss allowance</i>	<u>—</u>	<u>—</u>
Trade receivables, net	1,951	2,558
Prepayments	256	300
Deposits	72	73
Other receivables	<u>321</u>	<u>112</u>
	<u>2,600</u>	<u>3,043</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:

	As at 30 June 2024 <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
0 to 30 days	989	1,430
31 to 60 days	953	1,045
61 to 90 days	9	75
Over 90 days	<u>—</u>	<u>8</u>
	<u>1,951</u>	<u>2,558</u>

16. TRADE AND OTHER PAYABLES AND PROVISION FOR REINSTATEMENT COST

	As at 30 June 2024 <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
Non-current		
Provision for reinstatement cost	97	95
	-----	-----
Current		
Trade payables	477	581
Other payables and accruals		
— Accrued expenses	2,599	3,648
— Others	66	232
	-----	-----
	3,142	4,461
	-----	-----
Total	<u>3,239</u>	<u>4,556</u>

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

	As at 30 June 2024 <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
0 to 30 days	181	185
31 to 60 days	134	233
61 to 90 days	127	98
Over 90 days	35	65
	-----	-----
	477	581
	-----	-----

17. CONTRACT LIABILITIES

	As at 30 June 2024 S\$'000 (unaudited)	As at 31 December 2023 S\$'000 (audited)
Sales of in-game virtual items	<u>41</u>	<u>303</u>

Contract liabilities primarily consist of the unamortised revenue from sales of in-game virtual items for mobile games, where there is still an implied obligation to be provided by the Group to game players.

The Group expects to deliver the services to satisfy the remaining performance obligation of these contract liabilities within one year or less.

18. BORROWINGS

	As at 30 June 2024 S\$'000 (unaudited)	As at 31 December 2023 S\$'000 (audited)
Shareholder's loan	14,072	13,262
Other banking facilities	<u>360</u>	<u>433</u>
Total borrowings	<u>14,432</u>	<u>13,695</u>
Of which		
Non-current liabilities	14,282	13,548
Current liabilities	<u>150</u>	<u>147</u>
	<u>14,432</u>	<u>13,695</u>

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 approximately 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 principal 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 two machineries as at 30 June 2024 and 31 December 2023.

19. SHARE CAPITAL

	Number of shares	Share capital <i>S\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 30 June 2024 and 31 December 2023	<u>2,000,000,000</u>	<u>3,390</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 30 June 2024 and 31 December 2023	<u>1,000,000,000</u>	<u>1,695</u>

20. 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 interim financial statements:

	As at 30 June 2024 <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment	<u>90</u>	<u>130</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 2024 and grew by 3.0% and 2.9% on a year-on-year basis in the first quarter and second quarter of 2024, respectively. However, the precision modules & components segment under manufacturing sector in Singapore contracted by 6.6% and 6.5% on a year-on-year basis in the first quarter and second quarter of 2024, respectively due to a lower level of production of metal precision components, optical instruments and dies, moulds, tools, jigs and fixtures.

For the six months ended 30 June 2024, the Group's manufacturing segment recorded total revenue of approximately S\$6.1 million, representing a decrease of approximately S\$2.4 million or 28.0%, from approximately S\$8.5 million for the six months ended 30 June 2023. The decrease in revenue was mainly due to the 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

For the six months ended 30 June 2024, the revenue from mobile game business under the online business segment was approximately S\$0.9 million (six months ended 30 June 2023: approximately S\$3,000).

The Group launched our first mobile game to the market in December 2020. In the first half of 2024, the Group has continued to operate our mobile game business and strengthened our research and development in order to develop and optimise our existing and new mobile games.

BUSINESS PROSPECTS

The global economy is projected to grow at 3.2% in 2024 according to the International Monetary Fund's July 2024 review. However, the report also highlights near-term upside risks to inflation, which stem from a lack of progress on services disinflation and price pressure from renewed trade or geopolitical tensions. An escalation of trade disputes can further increase inflation risks by driving up the costs of imported goods along supply chains.

The prospect of persistently elevated inflation has, in turn, raised the likelihood of interest rates remaining high for an extended period. This scenario increases external, fiscal, and financial risks. Prolonged dollar appreciation stemming from divergent monetary policy could also disrupt capital flows and impede planned policy easing, thereby adversely impacting global economic growth prospects.

Amidst this uncertain global economic environment, the Group remains committed to maintaining strong customer relationships in its manufacturing business. This will involve deploying outreach strategies and upgrading machinery and robotics to enhance production efficiency and competitiveness. The Group will constantly review its various expenditures and proactively take measures to reduce various costs in production and operations, aiming to improve overall operational efficiency.

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

The Board will continue to focus on its core manufacturing business, enhancing its production competency and efficiency. The Board will also explore other business opportunities to diversify revenue streams and strengthen the Group's performance in the current challenging environment. The Board believes that more diversified revenue streams are expected to deliver long-term sustainable value to 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 2024 and 2023:

	For the six months ended 30 June			
	2024		2023	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
	(unaudited)		(unaudited)	
Manufacturing business	6,149	87.31	8,536	99.96
Online business	894	12.69	3	0.04
Total	<u>7,043</u>	<u>100.00</u>	<u>8,539</u>	<u>100.00</u>

For the six months ended 30 June 2024, the Group's revenue decreased by approximately S\$1.5 million or 17.5% compared to the same period in 2023. The decrease was mainly due to decrease in revenue from the manufacturing business, as a result of the decrease in market demand in the Singapore sheet metal fabrication industry.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately S\$1.0 million from approximately S\$3.8 million for the six months ended 30 June 2023 to approximately S\$2.8 million for the six months ended 30 June 2024. The Group's gross profit margin decrease from approximately 44.8% for the six months ended 30 June 2023 to approximately 40.0% for the six months ended 30 June 2024. 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 2024.

Administrative expenses

The Group's administrative expenses increased by approximately S\$0.5 million or 24.4% from approximately S\$2.1 million for the six months ended 30 June 2023 to approximately S\$2.6 million for the six months ended 30 June 2024. The increase was mainly due to increase in staff costs and general inflation.

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\$0.1 million from approximately S\$1.3 million for the six months ended 30 June 2023 to approximately S\$1.4 million for the six months ended 30 June 2024. The increase was mainly due to increase in 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\$0.2 million or 40.9% from approximately S\$0.5 million for the six months ended 30 June 2023 to approximately S\$0.3 million for the six months ended 30 June 2024. The decrease was mainly due to the decrease in profit generated from our manufacturing business in Singapore.

Loss for the period attributable to owners of the Company

Primarily attributable to (i) decrease in revenue and profit of our manufacturing business due to reduction in sales orders as a result of the decrease in market demand in the Singapore sheet metal fabrication industry; and (ii) increase in costs incurred in operating and developing mobile games from our online business, the Group recorded a loss of approximately S\$0.41 million attributable to owners of the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: a loss of approximately S\$0.02 million).

Interim dividend

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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, MYR, HKD and RMB.

As at 30 June 2024, the Group's total equity attributable to owners of the Company amounted to approximately S\$33.2 million (31 December 2023: approximately S\$34.1 million).

As at 30 June 2024, the Group's net current assets were approximately S\$37.8 million (31 December 2023: approximately S\$37.7 million) and the Group had cash and cash equivalents and short-term bank deposits of approximately S\$38.8 million (31 December 2023: approximately S\$39.0 million). The Group had borrowings and lease liabilities of approximately S\$14.4 million (31 December 2023: approximately S\$13.7 million) and approximately S\$0.9 million (31 December 2023: approximately S\$0.8 million), respectively.

As at 30 June 2024, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the period/year) was approximately 9.2 times (31 December 2023: approximately 7.2 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 46.3% (31 December 2023: approximately 42.4%).

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 approximately S\$16.77 million) shareholder's loan (the "**Shareholder's Loan**") to the Company. The Group mainly used the Shareholder's Loan (i) as 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 the Group's machineries of S\$0.6 million as at 30 June 2024 (31 December 2023: S\$0.7 million).

Significant Investments, Material Acquisition and Disposal of Subsidiaries, Associated Companies and Joint Ventures

There were no significant investments held, material acquisition or disposal of subsidiaries, associated companies and joint ventures of the Company during the six months ended 30 June 2024.

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 2024.

Contingent Liabilities

As at 30 June 2024, 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 (31 December 2023: Nil).

Capital Commitments

As at 30 June 2024, the Group had capital commitments of approximately S\$0.1 million, which was related to acquisition of property, plant and equipment (31 December 2023: S\$0.1 million).

Events Occurring After the Reporting Period

The Group does not have any material subsequent event after the six months ended 30 June 2024 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 and HKD. As at 30 June 2024, the Group retains part of the proceeds from the Listing in HKD and USD that are exposed to foreign exchange risk. During the six months ended 30 June 2024, there was no material adverse impact to the Group arising from the fluctuation in 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 six months ended 30 June 2024. The management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

Employees and Remuneration Policies

As at 30 June 2024, the Group employed 240 full-time employees (31 December 2023: 207 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**”) which will 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. 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 2024. The number of options available for grant under the scheme mandate limit of the Scheme as at 1 January 2024 and 30 June 2024 was 100,000,000 Shares and 100,000,000 Shares, respectively. No service provider sublimit had been set under the Scheme.

Use of Net Proceeds from the Listing

The Group completed its Listing and received net proceeds of approximately HK\$95.2 million (“**Net Proceeds**”). The Net Proceeds has been 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 six months ended 30 June 2024 and from the Listing Date up to 30 June 2024 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 amount	Unused amount	Utilised amount	Unused amount	Expected timeline for utilising the remaining proceeds (<i>Note</i>)
					from the date of revised allocation to 1 January 2024 <i>HK\$ million</i>	as at 1 January 2024 <i>HK\$ million</i>	from 1 January 2024 to 30 June 2024 <i>HK\$ million</i>	as at 30 June 2024 <i>HK\$ million</i>	
Expansion in production capacity	46.8	16.8	30.0	8.9	6.6	2.3	0.3	2.0	Before 31 December 2024
Greater production automation	29.1	12.0	17.1	5.8	5.8	-	-	-	
Enhancing our information technology system	9.4	1.1	8.3	1.9	1.9	-	-	-	
Improving quality assurance capabilities	2.7	0.1	2.6	2.6	2.6	-	-	-	
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>56.9</u>	<u>2.3</u>	<u>0.3</u>	<u>2.0</u>	

As at 30 June 2024 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.

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 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 as its own code on corporate governance practices. During the six months ended 30 June 2024, 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.

CHANGES IN INFORMATION OF THE DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are as follows:

Mr. Bau Siu Fung resigned as an independent non-executive Director on 1 August 2024 and Ms. Leung Tze Ying Gwen was appointed as an independent non-executive Director on the same day. During the six months ended 30 June 2024, Mr. Bau Siu Fung’s director’s fee was approximately S\$10,000.

Mr. Toe Tiong Hock, an executive Director and the chief executive officer of the Company, passed away on 19 August 2024.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company’s last published annual report.

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

During the six months ended 30 June 2024, 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 2024 and discussed with the management on the accounting principles and practices adopted by the Group, with no disagreement by the Audit Committee.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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 during the six months ended 30 June 2024.

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) and the Company (www.fsmtech.com). The interim report of the Company for the six months ended 30 June 2024 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, 28 August 2024

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Li Thet; and three independent non-executive Directors, namely Mr. Wong Po Keung, Mr. Lau Chun Ho Edward and Ms. Leung Tze Ying Gwen.