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FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1721)

QUARTERLY UPDATE ON SUSPENSION OF TRADING

This announcement is made by FSM Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 31 March 2021 and 28 May 2021 (collectively, the “**Announcements**”) in relation to, among others, (i) delay in publication of the 2020 Annual Results; (ii) postponement of board meeting for approval of the 2020 Annual Results; (iii) the suspension of trading in the shares of the Company on the Stock Exchange; and (iv) the Resumption Guidance. Unless otherwise stated, the capitalised terms used herein shall have the same meaning as defined in the Announcements.

UPDATE ON PROGRESS OF RESUMPTION

As disclosed in the announcement of the Company dated 28 May 2021, the Stock Exchange has set out the following Resumption Guidance for the Company:

- conduct an appropriate independent investigation into the Issue, assess the impact on the Company’s business operation and financial position, announce the findings and take appropriate remedial actions;
- publish all outstanding financial results required under the Listing Rules and address any audit modifications;

- demonstrate its compliance with Rule 13.24 of the Listing Rules; and
- announce all material information for the Company's shareholders and investors to appraise the Company's position.

Pursuant to Rule 13.24A of the Listing Rules, the Board wishes to update the Shareholders and potential investors of the Company on the progress of the Company's fulfilment of the Resumption Guidance as at the date of this announcement which is summarised below.

Update on Independent Review

As disclosed in the announcement of the Company dated 31 March 2021, the Company has engaged an Independent Consultant to perform an independent review on the Issue (the **"Independent Review"**). As at the date of this announcement, the Independent Consultant has issued a draft report (the **"Draft Report"**) of the Independent Review to the audit committee of the Company. Pursuant to the Draft Report, the Independent Consultant found, among others, that for the financial year ended 31 December 2019, a reversal regarding the consolidation journal entries made for the capitalisation of the costs of inventory of finished goods and work-in-progress at the year end of 2018 was omitted in the preparation of the Group's financial statements as at 31 December 2019. The omission of this set of entries may have resulted in an overstatement of inventory held by the Group as at 31 December 2019. The quantitative impact of such omission is yet to be finalised as at the date of this announcement. During the process of the performance of the Independent Review, the Independent Consultant has not been aware of any evidence which suggests that the abovementioned issue is related to fraud.

Currently, the Company is (i) working closely with the Independent Consultant to complete and finalise the Draft Report; and (ii) attending to discussion with the auditors on their feedbacks on the Draft Report. As at the date of this announcement, it is expected that the Independent Review would be completed by early August 2021. The Company will make further announcement(s) to update the Shareholders and potential investors on the progress and findings of the Independent Review.

Outstanding financial results

As disclosed in the announcement of the Company dated 31 March 2021, the publication of the 2020 Annual Results was delayed, pending the Issue to be resolved to the satisfaction of the Company. The finalisation and publication of the 2020 Annual Results continues to be delayed as additional time is required to complete the Independent Review. The Company will make further announcement(s) to update the Shareholders and potential investors on the date of publication of the 2020 Annual Results.

BUSINESS UPDATE

The Directors wish to point out that, notwithstanding the suspension of trading, the Group is carrying on its business operations as usual to the extent possible under the adverse effect brought by the outbreak of COVID-19 in Singapore and Malaysia. The Board will continue to assess and monitor the impact of the outbreak of COVID-19 and the suspension of trading on the operation and financial performance of the Group. The Company will take appropriate measures as necessary and make further announcement(s) as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 1 April 2021 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
FSM Holdings Limited
Li Thet
Chairman

Hong Kong, 30 June 2021

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.