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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 2022

The board (the “**Board**”) of directors (the “**Directors**”) of FSM Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)
Revenue	6	11,500	6,286
Cost of sales		(6,385)	(5,285)
Gross profit		5,115	1,001
Other income	7	122	77
Other gains – net	8	480	311
Selling and distribution expenses		(104)	(253)
Administrative expenses		(2,091)	(2,309)
Research and development expenses for mobile games		(846)	(729)
Operating profit/(loss)		2,676	(1,902)
Finance income		10	15
Finance costs		(28)	(41)
Finance costs, net		(18)	(26)
Profit/(loss) before income tax	9	2,658	(1,928)
Income tax expense	10	(859)	(390)
Profit/(loss) for the period attributable to owners of the Company		1,799	(2,318)
Earnings/(loss) per share			
Basic and diluted (<i>Singapore cents</i>)	11	0.18	(0.23)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Profit/(loss) for the period	1,799	(2,318)
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>(66)</u>	<u>(53)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company	<u>1,733</u>	<u>(2,371)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		11,843	12,685
Right-of-use assets		685	899
Intangible assets		33	37
Rental deposit		—	81
		<u>12,561</u>	<u>13,702</u>
Current assets			
Inventories		2,729	1,561
Trade and other receivables	13	5,013	3,893
Pledged bank deposits		53	54
Short-term bank deposits		13,818	7,054
Cash and cash equivalents		8,306	13,932
		<u>29,919</u>	<u>26,494</u>
Total assets		<u>42,480</u>	<u>40,196</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	1,695	1,695
Reserves		21,008	21,074
Retained earnings		11,710	9,911
		<u>34,413</u>	<u>32,680</u>
Total equity		<u>34,413</u>	<u>32,680</u>

		As at 30 June 2022 <i>S\$'000</i> (unaudited)	As at 31 December 2021 <i>S\$'000</i> (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		487	657
Deferred income tax liabilities		1,186	1,191
Provision for reinstatement cost	14	88	86
		<u>1,761</u>	<u>1,934</u>
Current liabilities			
Trade and other payables	14	4,817	4,327
Current income tax liabilities		1,077	557
Borrowings	15	–	221
Lease liabilities		412	477
		<u>6,306</u>	<u>5,582</u>
Total liabilities		<u>8,067</u>	<u>7,516</u>
Total equity and liabilities		<u>42,480</u>	<u>40,196</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 February 2018 as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group principally engage in precision engineering and sheet metal fabrication, development, distribution and operation of online mobile games.

The condensed consolidated interim financial information is presented in Singapore Dollar ("S\$") unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

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 2021.

The IASB has issued a number of new standards, amendments to IFRSs and interpretation that are first effective for the current accounting period of the Group. Of these, the following amendments may be relevant to the Group:

IAS 16 (Amendments)	<i>Property, Plant and Equipment: Proceeds before intended use</i>
IAS 37 (Amendments)	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
IFRS 3 (Amendments)	<i>Reference to the Conceptual Framework</i>
Annual Improvements	<i>Annual Improvements to IFRS Standards 2018 – 2020 Cycle</i>

The application of the new standards, amendments to IFRSs and interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

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 2021.

(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, cash flow and fair value interest rate risk and price 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 2021.

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

4.2 Liquidity risk

There was no material change in the contractual undiscounted cash flows for financial liabilities.

4.3 Fair value estimation

The carrying values of the Group's current financial assets, including trade receivables, deposits, other receivables, short-term and pledged deposits and cash and cash equivalents, and the Group's current financial liabilities, including trade and other payables and bank borrowings approximate their fair values due to their short maturities.

At 30 June 2022 and 31 December 2021, the Group did not have any financial instruments carried at fair value.

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. SEGMENT INFORMATION

(a) Description of segments and principal activities

The Chief Operating Decision Makers (“CODM”), Mr. Li Thet (“Mr. Li”) and Mr. Toe Tiong Hock (“Mr. Toe”), monitor the results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The CODM 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 profit/(loss) before income tax

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

	For the six months ended		
	30 June 2021		
	Manufacturing	Online	Total
	business	business	
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue (<i>Note 6</i>)			
From external customers	6,185	101	6,286
Reportable segment results	<u>459</u>	<u>(1,593)</u>	(1,134)
Corporate income			160
Corporate expenses			<u>(954)</u>
Loss before income tax			<u>(1,928)</u>

(c) **Segment assets**

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

	As at	As at
	30 June	31 December
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(audited)
Manufacturing business	38,083	33,191
Online business	<u>1,272</u>	<u>1,541</u>
Total segment assets	39,355	34,732
Corporate assets	<u>3,125</u>	<u>5,464</u>
Total assets	<u>42,480</u>	<u>40,196</u>

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

	As at 30 June 2022 <i>S\$'000</i> (unaudited)	As at 31 December 2021 <i>S\$'000</i> (audited)
Singapore	8,913	9,581
Hong Kong	130	190
China	249	475
Malaysia	<u>3,269</u>	<u>3,456</u>
Total non-current assets	<u>12,561</u>	<u>13,702</u>

(d) Segment liabilities

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

	As at 30 June 2022 <i>S\$'000</i> (unaudited)	As at 31 December 2021 <i>S\$'000</i> (audited)
Manufacturing business	6,333	4,207
Online business	<u>349</u>	<u>582</u>
Total segment liabilities	6,682	4,789
Corporate liabilities	<u>1,385</u>	<u>2,727</u>
Total liabilities	<u>8,067</u>	<u>7,516</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 by location is shown in the table below.

	For the six months ended	
	30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Singapore	11,468	6,185
Other countries	32	101
	<u>11,500</u>	<u>6,286</u>

Information about major customers

For the six months ended 30 June 2022, there were two (six months ended 30 June 2021: two) customers which individually contributed over 10% of the Group's total revenue. During the period, the revenues contributed from those customers are as follows:

	For the six months ended	
	30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Customer A	6,598	2,988
Customer B	3,712	2,657
	<u>3,712</u>	<u>2,657</u>

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 2022 and 2021 are as follows:

	For the six months ended	
	30 June	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Sale of goods	11,151	6,075
Processing services	317	110
Sale of in-game virtual items	32	101
	<u>11,500</u>	<u>6,286</u>

7. OTHER INCOME

	For the six months ended	
	30 June	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Government grant	62	65
Scrap sales	24	11
Others	36	1
	<u>122</u>	<u>77</u>

8. OTHER GAINS – NET

	For the six months ended	
	30 June	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Foreign exchange gains	480	311

9. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax has been arrived at after charging/(crediting):

	For the six months ended	
	30 June	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold	3,066	2,291
Employee benefit expenses (including directors' emoluments)	3,703	2,940
Depreciation charge for property, plant and equipment and right-of-use assets	994	1,081
Amortisation of intangible assets	8	10
Operating lease expense in respect of short-term leases	19	168
Subcontractor fees	249	276
Utilities	370	175
Legal and professional fee	159	678
Auditor's remuneration		
– Audit services	185	150
Foreign exchange gains	(480)	(311)
Government grant	(62)	(65)
	<u>3,066</u>	<u>2,291</u>

10. INCOME TAX EXPENSE

The amount of income tax expense charged to the condensed consolidated statements of profit or loss represent:

	For the six months ended	
	30 June	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Current income tax	859	340
Deferred income tax	–	50
	<u>859</u>	<u>390</u>

(a) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the six months ended 30 June 2022 and 2021.

(b) Singapore corporate income tax

Singapore corporate income tax is calculated at the rate of 17% on the chargeable income of the subsidiaries incorporated in Singapore in accordance with Singapore Income Tax Act during the six months ended 30 June 2022 (six months ended 30 June 2021: 17%).

In Singapore, partial tax exemption relates to 75% tax exemption of the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income for the year of 2022 and 2021.

(c) Malaysia corporate income tax

Malaysia corporate income tax is calculated at the rate of 24% on the chargeable income of the subsidiaries incorporated in Malaysia in accordance with Malaysia Income Tax Act during the six months ended 30 June 2022 (six months ended 30 June 2021: 24%).

(d) Hong Kong profits tax

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at the rate of 16.5%. The Group's subsidiaries incorporated in Hong Kong are not provided for Hong Kong profits tax as there is no assessable income arising in and derived from Hong Kong during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

(e) Mainland China corporate income tax

According to the Enterprise Income Tax Law and the Implementation of the Enterprise Income Tax Law of the People's Republic of China, an entity eligible as a Small Low-profit Enterprise is subject to preferential tax treatments phase 2. From 1 January 2021 to 31 December 2022, a Small Low-profit Enterprise with annual taxable income of not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at tax rate of 20%. A subsidiary of the Group is eligible as a Small Low-profit Enterprise and is subject to the relevant preferential tax treatments.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(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 2022 and 2021.

	For the six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
Profit/(loss) attributable to the owners of the Company (S\$'000)	<u>1,799</u>	<u>(2,318)</u>
Weighted average number of ordinary shares in issue (in thousand)	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings/(loss) per share in Singapore cents	<u><u>0.18</u></u>	<u><u>(0.23)</u></u>

(b) Diluted

For the six months ended 30 June 2022 and 2021, diluted earnings/(loss) per share equals basic earnings/(loss) per share as there was no dilutive potential shares.

12. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
Current		
Trade receivables	4,265	3,627
<i>Less: loss allowance</i>	—	—
	<hr/>	<hr/>
Trade receivables, net	4,265	3,627
Prepayments	117	145
Deposits	523	108
Other receivables	108	13
	<hr/>	<hr/>
	5,013	3,893
	<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 as at 30 June 2022 and 31 December 2021 was as follows:

	As at 30 June 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
0 to 30 days	2,257	1,967
31 to 60 days	1,910	1,607
61 to 90 days	7	37
Over 90 days	91	16
	<hr/>	<hr/>
	4,265	3,627
	<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 all trade receivables. There is no significant impact of loss allowance for trade receivables as at 30 June 2022 and 31 December 2021.

14. TRADE AND OTHER PAYABLES AND PROVISION FOR REINSTATEMENT COST

	As at 30 June 2022 <i>S\$'000</i> (unaudited)	As at 31 December 2021 <i>S\$'000</i> (audited)
Non-current		
Provision for reinstatement cost	<u>88</u>	<u>86</u>
Current		
Trade payables	2,561	1,570
Other payables and accruals		
– Accrued expenses	2,028	2,526
– Others	<u>228</u>	<u>231</u>
	<u>4,817</u>	<u>4,327</u>
	<u>4,905</u>	<u>4,413</u>

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2022 <i>S\$'000</i> (unaudited)	As at 31 December 2021 <i>S\$'000</i> (audited)
0 to 30 days	883	702
31 to 60 days	748	361
61 to 90 days	517	221
Over 90 days	<u>413</u>	<u>286</u>
	<u>2,561</u>	<u>1,570</u>

15. BORROWINGS

	As at 30 June 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
Other banking facilities	—	221
Of which		
Current liabilities	—	221
Non-current liabilities	—	—
	—	221

As at 31 December 2021, the carrying amounts of the Group's borrowings approximated their fair values and were denominated in S\$.

As at 31 December 2021, other banking facilities represented the financing arrangements between the Group and banks for the acquisition of machinery and were secured by the machinery.

16. SHARE CAPITAL

	Number of shares	Share capital <i>S\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2021 and 30 June 2022	<u>2,000,000,000</u>	<u>3,390</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 December 2021 and 30 June 2022	<u><u>1,000,000,000</u></u>	<u><u>1,695</u></u>

17. CAPITAL COMMITMENTS

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

	As at 30 June 2022 <i>S\$'000</i> (unaudited)	As at 31 December 2021 <i>S\$'000</i> (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment	<u><u>498</u></u>	<u><u>120</u></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 2022 and grew by 3.8% and 4.4% on a year-on-year basis in the first quarter and second quarter of 2022 respectively. Meanwhile, the manufacturing sector in Singapore continued to outperform in the first half of 2022 and expanded by 5.5% and 5.7% on a year-on-year basis in the first quarter and second quarter of 2022 respectively due to output expansions across various clusters in the manufacturing sector including precision engineering clusters.

Our manufacturing business which engages in sheet metal fabrication with a focus on precision engineering, has benefited from the sustained output expansions across various clusters in the manufacturing sector and continued to achieve significant growth in revenue in the first half of 2022.

For the six months ended 30 June 2022, the Group's manufacturing segment recorded total revenue of approximately S\$11.47 million, representing an increase of approximately S\$5.28 million or 85.42%, from approximately S\$6.19 million for the six months ended 30 June 2021. The increase in revenue was mainly due to the increase in sales orders resulting from the continued growth of the manufacturing sector in Singapore in the first half of 2022.

ONLINE BUSINESS

Mobile game business

For the six months ended 30 June 2022, the revenue from mobile game business under the online business segment was approximately S\$0.03 million (six months ended 30 June 2021: approximately S\$0.10 million).

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

BUSINESS PROSPECTS

The International Monetary Fund has projected the global economy to grow at 3.2% in 2022 according to their July 2022 review. In the second half of 2022, there are still many uncertainties affecting the global economy, including the conflicts in Ukraine which is expected to lead to higher inflation worldwide. In order to reduce inflation, the Federal Reserves in the United States of America and the European Central Bank have started raising interest rates, which may lead to further decline in the growth of the global economy.

Under such a challenging environment faced by our manufacturing business, the Group will continuously deploy outreach strategies in maintaining relationships with our existing and potential customers and enhance production competency and efficiency through the upgrading of machines and usage of robotics to reduce production cost.

It is the Group's strategy to diversify our revenue streams under current challenging environment of our manufacturing business. Launching our first mobile game to the market was the Group's initial plan following our diversification into the online business. In the second half of 2022, the Group will continue to enrich our online business by developing and optimizing mobile game products. Going forward, the Group will keep reviewing its development strategy and operation of the online business with a view to adapt to market changes.

The Board will continue to focus on our manufacturing business which is our core business by enhancing its production competency and efficiency. In order to diversify revenue streams and strengthen the Group's performance under the current challenging environment of our manufacturing business, the Board will continue to explore other business opportunities. The Board believes that more diversified revenue streams are expected to deliver long term sustainable value to our shareholders.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of the Group's revenue from (i) manufacturing business and (ii) online business for the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June			
	2022		2021	
	S\$'000	%	S\$'000	%
	(unaudited)		(unaudited)	
Manufacturing business	11,468	99.72	6,185	98.39
Online business	<u>32</u>	<u>0.28</u>	<u>101</u>	<u>1.61</u>
Total	<u><u>11,500</u></u>	<u><u>100.00</u></u>	<u><u>6,286</u></u>	<u><u>100.00</u></u>

For the six months ended 30 June 2022, the Group's revenue increased by approximately S\$5.21 million or 82.95% compared to the same period in 2021. The increase was mainly attributable to the increase in revenue from the manufacturing business, benefiting from increase in sales orders led by output expansions across various clusters in the manufacturing sector in Singapore in the first half of 2022.

Gross profit and gross profit margin

For the six months ended 30 June 2022, the Group's gross profit increased by approximately S\$4.12 million from approximately S\$1.00 million for the six months ended 30 June 2021 to approximately S\$5.12 million for the six months ended 30 June 2022. The Group's gross profit margin increased from approximately 15.92% for the six months ended 30 June 2021 to approximately 44.48% for the six months ended 30 June 2022. Such marked increase was mainly due to (a) the increase in revenue in the first half of 2022; and (b) the costs of certain production overheads which were in general fixed in nature and not increasing in line with the increase in revenue.

Other Income

The Group's other income increased by approximately S\$0.04 million from approximately S\$0.08 million for the six months ended 30 June 2021 to approximately S\$0.12 million for the six months ended 30 June 2022. Such increase was mainly due to the increase of scrap sales for the six months ended 30 June 2022 as compared to the same period last year.

Other gains – net

The Group's other gains – net increased by approximately S\$0.17 million from approximately S\$0.31 million for the six months ended 30 June 2021 to approximately S\$0.48 million for the six months ended 30 June 2022. Such gain was attributable to foreign exchange gains arising from appreciation of United States Dollars (“USD”) and Hong Kong Dollars (“HKD”) against Singapore Dollars (“SGD”) which is the Company's functional currency and the Group's presentation currency for the six months ended 30 June 2022. The increase in foreign exchange gain was mainly due to an appreciation in exchange rates of USD and HKD against SGD as compared to the same period last year.

Administrative expenses

The Group's administrative expenses decreased by approximately S\$0.22 million or 9.44% from approximately S\$2.31 million for the six months ended 30 June 2021 to approximately S\$2.09 million for the six months ended 30 June 2022. The decrease was mainly due to decrease in legal and professional fees incurred in the first half of 2022 as there were professional fees incurred for the resumption of trading of the Company's shares in the first half of 2021.

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\$0.12 million from approximately S\$0.73 million for the six months ended 30 June 2021 to approximately S\$0.85 million for the six months ended 30 June 2022. The increase was mainly due to increase in staff costs incurred in developing and optimising the Group's mobile games for the six months ended 30 June 2022 as compared to the same period last year.

Profit/(loss) for the period attributable to owners of the Company

As a result of the above factors, the Group recorded a profit of approximately S\$1.80 million attributable to owners of the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: loss of approximately S\$2.32 million).

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 and bank loans.

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

As at 30 June 2022, the Group's total equity attributable to owners of the Company amounted to approximately S\$34.41 million (31 December 2021: approximately S\$32.68 million).

As at 30 June 2022, the Group's net current assets were approximately S\$23.61 million (31 December 2021: approximately S\$20.91 million) and the Group had cash and cash equivalents and short-term and pledged deposits of approximately S\$22.18 million (31 December 2021: approximately S\$21.04 million). The Group had lease liabilities of approximately S\$0.90 million (31 December 2021: approximately S\$1.13 million).

The Group's borrowings were fully repaid during the six months ended 30 June 2022 (31 December 2021: approximately S\$0.22 million).

As at 30 June 2022, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the period/year) was approximately 4.74 times (31 December 2021: approximately 4.75 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 2.61% (31 December 2021: approximately 4.15%).

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 of Hong Kong Limited (the "**Stock Exchange**"). The share capital of the Company only comprises ordinary shares.

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

There were no significant investments held, material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2022.

Pledge of Assets

The Group's other banking facilities which were secured by the Group's machineries of S\$1.42 million as at 31 December 2021 had been fully repaid during the six months ended 30 June 2022. Save as disclosed herein, as at 30 June 2022, the Group did not have significant assets pledged or charged.

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 2022.

Capital Commitments

As at 30 June 2022, the Group had capital commitments of approximately S\$0.50 million, which was related to acquisition of property, plant and equipment (31 December 2021: S\$0.12 million).

Contingent Liabilities

As at 30 June 2022, 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.

Share Option Scheme

The Company adopted a share option scheme on 15 March 2018 (the “**Scheme**”) and shall be valid until 15 March 2028. Pursuant to the Scheme, certain eligible participants, among others, the Directors and employees of the Group, may be granted options to subscribe for shares of the Company (the “**Shares**”). The purpose of the Scheme is to provide incentives or rewards to employees for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources. A summary of the principal terms of the Scheme is set out in the paragraph headed “D. Share Option Scheme” in Appendix V to the Prospectus. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2022.

The maximum number of Shares which can be awarded under the Scheme is 100,000,000 Shares, being 10% of the total number of Shares in issue on 16 July 2018 (the “**Listing Date**”) unless the Company obtains the approval of the shareholders of the Company (the “**Shareholders**”) in general meeting for refreshment. Upon acceptance of an offer for grant of option(s) under the Scheme, the participant shall pay HK\$1.00 to our Company by way of consideration for the grant of option(s) which will be offered for acceptance for a period of 7 days from the date of grant.

Unless approved by the Shareholders in a general meeting, the amount of Shares which can be awarded to a substantial Shareholder or an independent non-executive Director or their respective associates in the Scheme in the 12-month period up to and including the date of such grant for any particular aforementioned person in aggregate, is at maximum 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, of a maximum of HK\$5.0 million and to any other participant, a maximum of 1% of the Shares in issue.

The subscription price for the Shares subject to any particular option under the Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the relevant option; and (iii) the nominal value of a Share.

Use of Proceeds from the Listing

The Group completed its Listing and received net proceeds of approximately HK\$95.2 million (“**Net Proceeds**”). The Net Proceeds has been and will be 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 unutilized Net Proceeds. For details of the revised allocation, please refer to the announcement of the Company dated 29 September 2020.

Applications of the Net Proceeds during the period and from the Listing Date up to 30 June 2022 were as follows:

Use of Net Proceeds:	Original	Amount	Unused	Revised	Utilization	Unused	Utilization	Unused	Expected timeline for utilizing the remaining proceeds <i>(Note)</i>
	allocation	utilized up to the date of revised allocation	amount up to the date of revised allocation	allocation	from the date of revised allocation to 1 January 2022	amount as at 1 January 2022	from 1 January 2022 to 30 June 2022	amount as at 30 June 2022	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Expansion in production capacity	46.8	16.8	30.0	8.9	2.8	6.1	1.2	4.9	Before 31 December 2022
Greater production automation	29.1	12.0	17.1	5.8	2.2	3.6	1.8	1.8	Before 31 December 2022
Enhancing our information technology system	9.4	1.1	8.3	1.9	0.2	1.7	0.1	1.6	Before 31 December 2022
Improving quality assurance capabilities	2.7	0.1	2.6	2.6	1.4	1.2	0.3	0.9	Before 31 December 2022
Increasing marketing efforts	1.2	-	1.2	-	-	-	-	-	
General working capital and other corporate purposes	6.0	6.0	-	10.0	10.0	-	-	-	
Working capital for the business of precision engineering and precision machining services	-	-	-	30.0	30.0	-	-	-	
	<u>95.2</u>	<u>36.0</u>	<u>59.2</u>	<u>59.2</u>	<u>46.6</u>	<u>12.6</u>	<u>3.4</u>	<u>9.2</u>	

As at 30 June 2022 and the date of this announcement, the unutilized Net Proceeds were placed in interest-bearing deposits with licensed banks in Hong Kong and Singapore.

Note:

The expected timeline for utilizing 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. As a result of the recent business environment and development of the Group (in particular the impact of the COVID-19 pandemic), the Board has resolved that the expected timeline for utilizing the remaining Net Proceeds shall be on or before 31 December 2022 instead of 30 June 2022 and 31 December 2021.

Foreign Exchange Risk

The Group's business operations were conducted in Singapore, Malaysia, Hong Kong and mainland China. The sales of the Group are denominated in USD, SGD and HKD. Majority of the purchases and other costs of the Group are denominated in SGD, USD, MYR, HKD and RMB. The functional currency of the Group is SGD. The Group is exposed to foreign exchange risk, primarily USD, RMB and HKD. As at 30 June 2022, the Group retains part of the proceeds from the Listing in HKD and USD that are exposed to foreign exchange risk. During the period, there was no material adverse impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the period.

Interim Dividend

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Employees and Remuneration Policies

As at 30 June 2022, the Group employed 171 full-time employees (31 December 2021: 184 employees). Total staff costs (including directors' emoluments), amounting to approximately S\$3.70 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately S\$2.94 million), mainly included fees, wages, salaries, other staff benefits and contributions to retirement schemes. 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.

Events 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.

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 recognize 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 has applied the principles and adopted all the code provisions in the corporate governance code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

During the six months ended 30 June 2022, the Company had complied with the code provisions in the CG Code.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) of the Company has reviewed the Group’s unaudited condensed consolidated interim results for the six months ended 30 June 2022 and discussed with the management on the accounting principles and practices, financial reporting process and internal control 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 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors and by relevant employees of the Group. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding directors’ securities transactions throughout the six months period ended 30 June 2022.

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 2022 will be dispatched to Shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
FSM Holdings Limited
Li Thet
Chairman

Hong Kong, 23 August 2022

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.