

MICRO-MECHANICS (HOLDINGS) LTD

Condensed Interim Financial Statements  
For Third Quarter and 9 Months Ended  
31 March 2023

TABLE OF CONTENTS

A. Condensed interim consolidated statement of profit or loss and other comprehensive income..... 3

B. Condensed interim statements of financial position (Group and Company)..... 4

C. Condensed interim statements of changes in equity (Group and Company)..... 5

D. Condensed interim consolidated statement of cash flows..... 7

E. Selected notes to the condensed interim consolidated financial statements..... 8

F. Other information required by Listing Rule Appendix 7.2..... 16

**A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND 9 MONTHS ENDED 31 MARCH 2023**

	Note	Group					
		Q3			Year-to-date (9 months)		
		Jan to Mar 2023 S\$	Jan to Mar 2022 S\$	Change	Jul to Mar 2023 S\$	Jul to Mar 2022 S\$	Change
Revenue	E4	14,912,076	19,662,338	(24.2%)	51,826,511	60,495,119	(14.3%)
Cost of sales		(8,385,920)	(9,154,580)	(8.4%)	(27,436,804)	(27,781,189)	(1.2%)
<b>Gross profit</b>		<b>6,526,156</b>	<b>10,507,758</b>	(37.9%)	<b>24,389,707</b>	<b>32,713,930</b>	(25.4%)
Other income	E5	223,756	164,531	36.0%	543,129	394,641	37.6%
Distribution costs		(673,358)	(766,566)	(12.2%)	(2,116,140)	(2,374,707)	(10.9%)
Administrative expenses		(2,444,835)	(2,795,778)	(12.6%)	(8,002,806)	(8,491,073)	(5.8%)
Other operating expenses		(1,294,123)	(1,146,911)	12.8%	(4,052,047)	(3,508,330)	15.5%
<b>Profit from operations</b>		<b>2,337,596</b>	<b>5,963,034</b>	(60.8%)	<b>10,761,843</b>	<b>18,734,461</b>	(42.6%)
Finance costs		-	-		-	-	
<b>Profit before income tax</b>	E5	<b>2,337,596</b>	<b>5,963,034</b>	(60.8%)	<b>10,761,843</b>	<b>18,734,461</b>	(42.6%)
Income tax expense	E6	(702,110)	(1,548,523)	(54.7%)	(2,982,709)	(4,792,595)	(37.8%)
<b>Profit after tax</b>		<b>1,635,486</b>	<b>4,414,511</b>	(63.0%)	<b>7,779,134</b>	<b>13,941,866</b>	(44.2%)
<b>Non-controlling interests</b>		-	-		-	-	
<b>Profit for the period</b>		<b>1,635,486</b>	<b>4,414,511</b>	(63.0%)	<b>7,779,134</b>	<b>13,941,866</b>	(44.2%)
Profit for the period		<b>1,635,486</b>	<b>4,414,511</b>	(63.0%)	<b>7,779,134</b>	<b>13,941,866</b>	(44.2%)
<b>Other comprehensive income: Item that is or may be reclassified subsequently to profit or loss:</b>							
Foreign currency translation differences for foreign operations, net of tax		(120,428)	33,578	(458.7%)	(1,728,894)	229,833	(852.2%)
<b>Total comprehensive income for the period</b>		<b>1,515,058</b>	<b>4,448,089</b>	(65.9%)	<b>6,050,240</b>	<b>14,171,699</b>	(57.3%)
Earnings per share:	E7						
Basic (SGD in cent)		1.18	3.18		5.60	10.03	
Diluted (SGD in cent)		1.18	3.18		5.60	10.03	

**B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

	Note	Group 31 Mar 23 S\$	Group 30 Jun 22 S\$	Company 31 Mar 23 S\$	Company 30 Jun 22 S\$
<b>Non-current assets</b>					
Property, plant and equipment	E9	26,563,563	28,607,303	-	-
Right-of-use assets		2,439,767	1,545,399	-	-
Investment property	E10	295,245	320,749	-	-
Subsidiaries		-	-	29,095,544	29,095,544
Trade and other receivables	E11	654,883	759,841	-	-
Deferred tax asset		21,679	26,405	-	-
		29,975,137	31,259,697	29,095,544	29,095,544
<b>Current assets</b>					
Inventories		5,023,435	5,697,010	-	-
Trade and other receivables	E11	11,146,884	16,366,632	377,115	1,737,965
Cash and cash equivalents		10,674,797	20,368,243	380,718	8,710,763
		26,845,116	42,431,885	757,833	10,448,728
<b>Total assets</b>		56,820,253	73,691,582	29,853,377	39,544,272
<b>Shareholders' equity</b>					
Share capital	E12	14,782,931	14,782,931	14,782,931	14,782,931
Reserves		(1,556,388)	172,506	-	-
Accumulated profits		31,664,121	43,349,450	14,220,704	24,020,106
		44,890,664	58,304,887	29,003,635	38,803,037
<b>Non-current liabilities</b>					
Deferred tax liabilities		1,741,485	1,483,035	449,646	227,815
Trade and other payables	E13	987,636	755,544	-	-
Lease liabilities		1,251,572	657,932	-	-
		3,980,693	2,896,511	449,646	227,815
<b>Current liabilities</b>					
Trade and other payables	E13	5,389,349	8,867,019	397,724	513,420
Lease liabilities		1,261,105	951,533	-	-
Current tax payable		1,298,442	2,671,632	2,372	-
		7,948,896	12,490,184	400,096	513,420
Total liabilities		11,929,589	15,386,695	849,742	741,235
<b>Total equity and liabilities</b>		56,820,253	73,691,582	29,853,377	39,544,272

**C. CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Foreign Currency Translation Reserve	Accumulated remeasure- ment on retirement benefits	Accumulated Profits	Total
	S\$	S\$	S\$	S\$	S\$
<b>The Group</b>					
As at 1 July 2021	14,782,931	272,054	(96,646)	43,007,362	57,965,701
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	-	13,941,866	13,941,866
<b>Other comprehensive income:</b>					
Foreign currency translation differences, net of tax	-	229,833	-	-	229,833
Total comprehensive income for the period	-	229,833	-	13,941,866	14,171,699
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax- exempt) in respect of FY2021	-	-	-	(11,122,551)	(11,122,551)
Interim dividend of 6.0 cents per share (one-tier tax exempt) in respect of FY2022	-	-	-	(8,341,912)	(8,341,912)
Total transactions with owners, recorded directly in equity	-	-	-	(19,464,463)	(19,464,463)
<b>As at 31 March 2022</b>	<b>14,782,931</b>	<b>501,887</b>	<b>(96,646)</b>	<b>37,484,765</b>	<b>52,672,937</b>
As at 1 July 2022	14,782,931	144,547	27,959	43,349,450	58,304,887
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	-	7,779,134	7,779,134
<b>Other comprehensive income:</b>					
Foreign currency translation differences, net of tax	-	(1,728,894)	-	-	(1,728,894)
Total comprehensive income for the period	-	(1,728,894)	-	7,779,134	6,050,240
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax- exempt) in respect of FY2022	-	-	-	(11,122,551)	(11,122,551)
Interim dividend of 6.0 cents per share (one-tier tax exempt) in respect of FY2023	-	-	-	(8,341,912)	(8,341,912)
Total transactions with owners, recorded directly in equity	-	-	-	(19,464,463)	(19,464,463)
<b>As at 31 March 2023</b>	<b>14,782,931</b>	<b>(1,584,347)</b>	<b>27,959</b>	<b>31,664,121</b>	<b>44,890,664</b>

MICRO-MECHANICS (HOLDINGS) LTD  
Condensed Interim Financial Statements for Third Quarter and 9 Months Ended 31 March 2023

	<b>Share Capital</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Profits</b>	<b>Total</b>
	S\$	S\$	S\$	S\$
<b>The Company</b>				
As at 1 July 2021	14,782,931	-	26,161,805	40,944,736
<b>Total comprehensive income for the period:</b>				
Net profit for the period	-	-	8,181,008	8,181,008
Total comprehensive income for the period	-	-	8,181,008	8,181,008
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax- exempt) in respect of FY2021	-	-	(11,122,551)	(11,122,551)
Interim dividend of 6 cents per share (one-tier tax exempt) in respect of FY2022	-	-	(8,341,912)	(8,341,912)
Total transactions with owners, recorded directly in equity	-	-	(19,464,463)	(19,464,463)
<b>As at 31 March 2022</b>	<b>14,782,931</b>	<b>-</b>	<b>14,878,350</b>	<b>29,661,281</b>
As at 1 July 2022	14,782,931	-	24,020,106	38,803,037
<b>Total comprehensive income for the period:</b>				
Net profit for the period	-	-	9,665,061	9,665,061
Total comprehensive income for the period	-	-	9,665,061	9,665,061
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax- exempt) in respect of FY2022	-	-	(11,122,551)	(11,122,551)
Interim dividend of 6 cents per share (one-tier tax exempt) in respect of FY2023	-	-	(8,341,912)	(8,341,912)
Total transactions with owners, recorded directly in equity	-	-	(19,464,463)	(19,464,463)
<b>As at 31 March 2023</b>	<b>14,782,931</b>	<b>-</b>	<b>14,220,704</b>	<b>29,003,635</b>

**D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASHFLOW FOR THE  
9 MONTHS ENDED 31 MARCH 2023**

	<b>GROUP</b>			
	<b>Q3</b>		<b>Year-to-date (9 months)</b>	
	<b>Jan to Mar 2023 S\$</b>	<b>Jan to Mar 2022 S\$</b>	<b>Jul to Mar 2023 S\$</b>	<b>Jul to Mar 2022 S\$</b>
<b>Cash flows from operating activities</b>				
Profit for the period	1,635,486	4,414,511	7,779,134	13,941,866
Adjustments for:				
Depreciation of property, plant and equipment	1,670,104	1,792,682	5,037,599	5,292,804
Depreciation of investment property	3,455	3,678	10,438	10,203
Property, plant and equipment written off	13	437	61	9,668
(Gain)/loss on disposal of property, plant and equipment	(57,545)	(3,436)	(63,917)	5,917
Interest income	(34,333)	(10,690)	(124,476)	(35,029)
Interest expense on lease liabilities	27,678	23,910	66,110	72,304
Tax expense	702,110	1,548,523	2,982,709	4,792,595
<b>Operating profit before changes in working capital</b>	<b>3,946,968</b>	<b>7,769,615</b>	<b>15,687,658</b>	<b>24,090,328</b>
Inventories	254,839	(660,433)	417,540	(1,264,271)
Trade and other receivables	923,222	892,344	4,669,052	(868,444)
Trade and other payables	(1,730,873)	571,335	(2,864,752)	153,860
Cash generated from operations	3,394,156	8,572,861	17,909,498	22,111,473
Income tax paid	(1,770,069)	(1,475,247)	(3,986,309)	(4,193,950)
<b>Net cash from operating activities</b>	<b>1,624,087</b>	<b>7,097,614</b>	<b>13,923,189</b>	<b>17,917,523</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(426,168)	(1,743,655)	(2,938,864)	(3,158,819)
Proceeds from disposal of property, plant and equipment	60,276	3,446	81,633	8,154
Interest received	34,180	9,801	114,634	32,131
<b>Net cash used in investing activities</b>	<b>(331,712)</b>	<b>(1,730,408)</b>	<b>(2,742,597)</b>	<b>(3,118,534)</b>
<b>Cash flows from financing activities</b>				
Lease paid	(329,958)	(322,401)	(972,272)	(963,955)
Dividends paid	(8,341,912)	(8,341,912)	(19,464,463)	(19,464,463)
<b>Net cash used in financing activities</b>	<b>(8,671,870)</b>	<b>(8,664,313)</b>	<b>(20,436,735)</b>	<b>(20,428,418)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,379,495)</b>	<b>(3,297,107)</b>	<b>(9,256,143)</b>	<b>(5,629,429)</b>
Cash and cash equivalents at beginning of period	17,861,944	18,164,104	20,210,293	20,449,978
Effect of exchange rate fluctuations	41,898	5,292	(429,803)	51,740
<b>Cash and cash equivalents at the end of period</b>	<b>10,524,347</b>	<b>14,872,289</b>	<b>10,524,347</b>	<b>14,872,289</b>

Note:

(i) Cash and cash equivalent is derived from:

	<b>Group 31 Mar 23 S\$</b>	<b>Group 31 Mar 22 S\$</b>
Cash and cash equivalent balances	10,674,797	15,033,239
Less: Pledged cash placed with bank	(150,450)	(160,950)
	<b>10,524,347</b>	<b>14,872,289</b>

## **E. SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **E1 Corporate information**

Micro-Mechanics (Holdings) Ltd. (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for third quarter and 9 months ended 31 March 2023 comprise the Company and its subsidiaries (collectively, the Group).

The Group is primarily involved in the manufacturing of precision tools and components.

### **E2 Basis of preparation**

The condensed interim financial statements have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 30 June 2022.

Other than adoption of the amended standards as set out in E2.2, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 30 June 2022, which were in accordance with SFRS(I)s.

The condensed financial statements are prepared on the historical cost basis, except for certain financial instruments which are stated at fair value.

The condensed financial statements are presented in Singapore dollars which is the Company's functional currency.

#### **E2.1 Use of estimates and judgements**

The preparation of condensed financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### **E2.2 Changes in accounting policies**

New standards and amendments

The Group has applied the following amendments to SFRS(I) for the first time for the annual period beginning on 1 July 2022:

- SFRS(I) 17 Insurance Contracts and Amendments to SFRS(I) 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to SFRS(I) 16)
- Reference to the Conceptual Framework (Amendments to SFRS(I) 3)
- Property, plant and equipment – Proceeds before Intended Use (Amendments to SFRS(I) 1-16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to SFRS(I) 37)
- Annual Improvements to SFRS(I)s 2018-2020
- Disclosure of Accounting Policies (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)
- Definition of Accounting Estimates (Amendments to SFRS(I) 1-8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to SFRS(I) 1-12)

The application of these amendments to standards does not have a material effect on the financial statements.



**E3 Seasonal operations**

The Group's businesses were not affected significantly by seasonal factors during the financial period.

**E4 Revenue**

Revenue of the Group represents the value of goods invoiced to third parties. Revenue comprises sale of precision tools and components.

**Revenue breakdown by Geographical Market**

Country	Group									
	3Q23		3Q22		% change	9M23		9M22		% change
	S\$	%	S\$	%		S\$	%	S\$	%	
Singapore	1,587,522	10.6%	1,875,255	9.5%	(15.3%)	6,570,872	12.7%	5,105,693	8.4%	28.7%
Malaysia	2,056,017	13.8%	3,349,984	17.0%	(38.6%)	7,403,470	14.3%	9,627,366	15.9%	(23.1%)
Philippines	1,180,095	7.9%	1,348,947	6.9%	(12.5%)	3,875,068	7.5%	4,130,439	6.8%	(6.2%)
Thailand	246,512	1.7%	345,592	1.8%	(28.7%)	899,305	1.7%	1,011,736	1.7%	(11.1%)
China	4,247,320	28.5%	6,554,977	33.3%	(35.2%)	14,150,323	27.3%	21,130,395	34.9%	(33.0%)
USA	3,901,806	26.2%	3,907,353	19.9%	(0.1%)	13,296,026	25.7%	12,055,942	19.9%	10.3%
Europe	760,235	5.1%	776,043	3.9%	(2.0%)	2,343,759	4.5%	2,129,878	3.5%	10.0%
Japan	194,649	1.3%	240,640	1.2%	(19.1%)	637,881	1.2%	884,857	1.5%	(27.9%)
Taiwan	626,790	4.2%	1,055,404	5.4%	(40.6%)	2,190,951	4.2%	3,481,026	5.8%	(37.1%)
Rest of world	111,130	0.7%	208,143	1.1%	(46.6%)	458,856	0.9%	937,787	1.6%	(51.1%)
<b>Total</b>	<b>14,912,076</b>	<b>100%</b>	<b>19,662,338</b>	<b>100%</b>	<b>(24.2%)</b>	<b>51,826,511</b>	<b>100%</b>	<b>60,495,119</b>	<b>100%</b>	<b>(14.3%)</b>

**E5 Profit before income tax**

The following items have been included in arriving at the profit before income tax:

**Income:**

	Q3			Year-to-date (9 months)		
	Jan to Mar 2023 S\$	Jan to Mar 2022 S\$	Change	Jul to Mar 2023 S\$	Jul to Mar 2022 S\$	Change
Gain/(loss) on disposal of property, plant and equipment	57,545	3,436	n.m.	63,917	(5,917)	n.m.
Interest income from banks and others	34,333	10,690	221.2%	124,476	35,029	255.4%
Rental income	32,906	30,530	7.8%	97,968	91,646	6.9%
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	32,714	42,153	(22.4%)	48,587	72,718	(33.2%)
Others	66,258	82,476	(19.7%)	208,181	221,874	(6.2%)

**Expenses:**

	Q3			Year-to-date (9 months)		
	Jan to Mar 2023 S\$	Jan to Mar 2022 S\$	Change	Jul to Mar 2023 S\$	Jul to Mar 2022 S\$	Change
Trade receivables written off	-	-	-	141	-	n.m.
Depreciation of property, plant and equipment	1,360,927	1,486,294	(8.4%)	4,119,932	4,374,402	(5.8%)
Depreciation of investment property	3,455	3,678	(6.1%)	10,438	10,203	2.3%
Depreciation of right-of-use assets	309,177	306,388	0.9%	917,667	918,402	(0.1%)
Inventories written off	17,933	28,548	(37.2%)	55,910	114,440	(51.1%)
Interest expense on lease liabilities	27,678	23,910	15.8%	66,110	72,304	(8.6%)
Exchange loss	30,797	4,754	547.8%	144,751	20,709	599.0%
Property, plant and equipment written off	13	437	(97.0%)	61	9,668	(99.4%)

n.m. not meaningful

**E6 Income tax expense**

	Q3		Year-to-date (9 months)	
	Jan to Mar 2023 S\$	Jan to Mar 2022 S\$	Jul to Mar 2023 S\$	Jul to Mar 2022 S\$
<b>Tax charge</b>				
Current period	605,832	1,309,906	2,572,807	4,249,109
Over provision in prior years	(28,180)	(21,560)	(23,965)	(9,100)
	577,652	1,288,346	2,548,842	4,240,009
<b>Deferred tax</b>				
Origination and reversal of temporary differences	123,847	235,609	433,256	527,520
Under provision in prior years	611	24,568	611	25,066
	124,458	260,177	433,867	552,586
<b>Total tax expense</b>	<b>702,110</b>	<b>1,548,523</b>	<b>2,982,709</b>	<b>4,792,595</b>

**E7 Earnings per share**

The calculation of the basic earnings per share is based on:

	Group (Year-to-date) 9 months ended	
	31 Mar 2023	31 Mar 2022
Profit for the period	7,779,134	13,941,866
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	139,031,881	139,031,881
Basic earnings per share (cents)	5.60	10.03

There is no difference between the basic earnings per ordinary share and the diluted earnings per ordinary share as there are no potentially dilutive ordinary shares at the end of either period.

**E8 Net Asset Value**

	Group 31 Mar 23	Group 30 Jun 22	Company 31 Mar 23	Company 30 Jun 22
Net Asset Value per ordinary share (cents)	32.29	41.94	20.86	27.91

The net asset value per ordinary share is calculated based on net assets of S\$44.9 million (30 June 2022: S\$58.3 million) and 139,031,881 (30 June 2022: 139,031,881) shares in issue at the end of the current financial period reported on/immediately preceding financial year.

**E9 Property, plant and equipment**

During the financial period ended 31 March 2023, the Group acquired property, plant and equipment with an aggregate cost of S\$2,938,864 (31 March 2022: S\$3,158,819). The amount of assets disposed for financial period ended 31 March 2023 was S\$17,729 (31 March 2022: S\$23,740).

**E10 Investment Property**

The property is an industrial building located in Malaysia. The fair value of the investment property as at 31 March 2023 was S\$3,009,000 (30 June 2022: S\$3,159,000). No independent valuer was engaged to perform the valuation. Management estimated the fair value of the Group's investment property by using the latest available market information for similar properties and recent experience and knowledge in the location and category of property being valued.

**E11 Trade and other receivables**

	<b>Group 31 Mar 23 S\$</b>	<b>Group 30 Jun 22 S\$</b>	<b>Company 31 Mar 23 S\$</b>	<b>Company 30 Jun 22 S\$</b>
Trade receivables	10,259,853	15,613,437	–	–
Other receivables	88,392	51,263	812	641
Deposits	410,627	404,295	–	–
Amount owing by a subsidiary (non-trade)	–	–	346,886	1,724,349
Financial assets at amortised cost	10,758,872	16,068,995	347,698	1,724,990
Advances to suppliers	299,735	385,113	–	–
Prepayments	736,384	672,093	29,417	12,975
Forward exchange contracts	6,776	272	–	–
Trade and other receivables	11,801,767	17,126,473	377,115	1,737,965
Non-current	654,883	759,841	–	–
Current	11,146,884	16,366,632	377,115	1,737,965
	11,801,767	17,126,473	377,115	1,737,965

The decrease in trade receivables was in line with the lower sales. The Company provides customers with credit terms that range from between 30 days to 90 days. There was no change in the Group's business activities or its credit terms during the financial period.

There were no trade receivables classified under non-current assets as at 31 March 2023. The amount of S\$654,883 (30 June 2022: S\$759,841) classified as non-current comprised of mainly deposits for factory rental, utilities and advances to suppliers for the purchase of equipment.

The aging profile of the Group's trade and other receivables (excluding deposits) as at 31 March 2023 were as follows:

	<b>Group 31 Mar 23 S\$</b>	<b>Group 30 Jun 22 S\$</b>	<b>Company 31 Mar 23 S\$</b>	<b>Company 30 Jun 22 S\$</b>
Current	8,154,464	12,733,694	812	–
Past due 1-30 days	1,515,186	2,443,286	–	–
Past due 31-60 days	238,021	398,000	–	–
Past due 61-90 days	55,675	86,111	–	–
More than 90 days	384,899	3,609	346,886	1,724,990
	10,348,245	15,664,700	347,698	1,724,990

During the financial period ended 31 March 2023, the Group registered bad debts written off amounted to S\$141 (31 March 2022: Nil). The outstanding amounts over 90 days in past years have been generally minimal. The Group's finance team has been conscientiously engaging customers to ensure timely collection of payment.

The Board has no immediate concern on the recoverability of the trade and other receivables balances as at 31 March 2023.

**E12 Share Capital**

Group and Company	31 March 2023		30 June 2022	
	Number of shares	S\$	Number of shares	S\$
Fully paid ordinary shares with no par value At 1 July and 31 March	139,031,881	14,782,931	139,031,881	14,782,931

There was no movement in the issued and paid-up capital of the Company since 30 June 2022.

There were no outstanding convertibles as at 31 March 2023 (30 June 2022: Nil).

The Company did not hold any treasury shares as at 31 March 2023 (30 June 2022: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the nine months ended 31 March 2023.

**E13 Trade and other payables**

	Group 31 Mar 23 S\$	Group 30 Jun 22 S\$	Company 31 Mar 23 S\$	Company 30 Jun 22 S\$
Trade payables	829,533	1,546,960	–	–
Other payables	1,072,592	1,595,642	31,881	30,205
Accrued expenses	3,970,892	5,883,947	365,843	483,215
Advances from customers	66,923	132,582	–	–
Forward exchange contracts	1,754	41,234	–	–
Provision for retirement benefits	435,291	422,198	–	–
	6,376,985	9,622,563	397,724	513,420
Non-current	987,636	755,544	–	–
Current	5,389,349	8,867,019	397,724	513,420
	6,376,985	9,622,563	397,724	513,420

**E14 Borrowings**

The Group does not have any bank borrowings for nine months ended 31 March 2023 and 30 June 2022.

**E15 Financial assets and financial liabilities**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	Financial assets at amortised cost S\$	Designated at fair value S\$	Other financial liabilities S\$	Total carrying amount S\$	Fair value S\$
<b>31 March 2023</b>					
Trade and other receivables*	10,758,872	–	–	10,758,872	
Forward exchange contracts - assets	–	6,776	–	6,776	6,776
Cash and cash equivalents	10,674,797	–	–	10,674,797	
	<u>21,433,669</u>	<u>6,776</u>	<u>–</u>	<u>21,440,445</u>	
Trade and other payables**	–	–	(5,531,189)	(5,531,189)	
Forward exchange contracts - liability	–	(1,754)	–	(1,754)	(1,754)
	<u>–</u>	<u>(1,754)</u>	<u>(5,531,189)</u>	<u>(5,532,943)</u>	

MICRO-MECHANICS (HOLDINGS) LTD  
Condensed Interim Financial Statements for Third Quarter and 9 Months Ended 31 March 2023

	Financial assets at amortised cost S\$	Designated at fair value S\$	Other financial liabilities S\$	Total carrying amount S\$	Fair value S\$
<b>Group</b>					
<b>30 June 2022</b>					
Trade and other receivables*	16,068,995	–	–	16,068,995	
Forward exchange contracts - assets	–	272	–	272	272
Cash and cash equivalents	20,368,243	–	–	20,368,243	
	<u>36,437,238</u>	<u>272</u>	<u>–</u>	<u>36,437,510</u>	
Trade and other payables**	–	–	(3,843,671)	(3,843,671)	
Forward exchange contracts - liability	–	(41,234)	–	(41,234)	(41,234)
	<u>–</u>	<u>(41,234)</u>	<u>(3,843,671)</u>	<u>(3,884,905)</u>	
<b>Company</b>					
<b>31 March 2023</b>					
Trade and other receivables*	347,698	–	–	347,698	
Cash and cash equivalents	380,718	–	–	380,718	
	<u>728,416</u>	<u>–</u>	<u>–</u>	<u>728,416</u>	
Trade and other payables**	–	–	(397,724)	(397,724)	
<b>30 June 2022</b>					
Trade and other receivables*	1,724,990	–	–	1,724,990	
Cash and cash equivalents	8,710,763	–	–	8,710,763	
	<u>10,435,753</u>	<u>–</u>	<u>–</u>	<u>10,435,753</u>	
Trade and other payables**	–	–	(513,420)	(513,420)	

\* Excluding advances to suppliers, prepayments and forward exchange contracts.

\*\* Excluding advances from customers, forward exchange contracts, provision for reinstatement costs and provision for retirement benefits.

*Fair value hierarchy*

The table below analyses fair value measurements for financial assets and financial liabilities, the levels of fair value hierarchy based on the inputs to valuation techniques. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2 S\$	Total S\$
<b>Group</b>		
<b>31 March 2023</b>		
Forward exchange contracts – asset	6,776	6,776
Forward exchange contracts – liability	<u>(1,754)</u>	<u>(1,754)</u>
<b>30 June 2022</b>		
Forward exchange contracts – asset	272	272
Forward exchange contracts – liability	<u>(41,234)</u>	<u>(41,234)</u>

**E16 Segment reporting**

**Operating Segments 9M23**

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Total revenue from external customers	11,392,548	8,185,356	4,015,957	14,875,151	13,357,499	-	51,826,511
Inter-segment revenue	3,984,575	880,284	302,241	3,618	-	(5,170,718)	-
Total revenue	<u>15,377,123</u>	<u>9,065,640</u>	<u>4,318,198</u>	<u>14,878,769</u>	<u>13,357,499</u>	<u>(5,170,718)</u>	<u>51,826,511</u>
Segment result	2,662,698	3,737,454	1,378,822	(810,237)	4,787,513	(415,602)	11,340,648
Unallocated expenses							<u>(578,805)</u>
Profit from operations							<u>10,761,843</u>
Income tax expenses	(462,542)	(898,335)	(101,952)	(5,253)	(1,188,452)	(326,175)	<u>(2,982,709)</u>
Net profit for the profit							<u>7,779,134</u>
Segment assets	16,889,633	10,026,734	3,029,512	13,692,944	13,297,596	(549,648)	56,386,771
Unallocated assets							
Others							<u>433,482</u>
Total assets							<u>56,820,253</u>
Segment liabilities	(2,986,904)	(535,451)	(895,627)	(1,538,492)	(1,932,050)	(603,415)	(8,491,939)
Unallocated liabilities							
Income tax	(1,442,457)	(526,094)	(30,197)	-	(589,161)	(452,018)	<u>(3,039,927)</u>
Others							<u>(397,723)</u>
Total liabilities							<u>(11,929,589)</u>
Other segment information:							
Capital expenditure	1,170,741	810,247	284,348	633,837	148,743	(109,052)	2,938,864
Depreciation	1,721,759	555,415	375,828	1,665,153	745,973	(16,091)	5,048,037
Non-current assets	<u>11,861,229</u>	<u>4,620,467</u>	<u>1,813,781</u>	<u>7,740,807</u>	<u>4,044,904</u>	<u>(106,051)</u>	<u>29,975,137</u>

**Major customers**

Revenues of major customers of the reportable segments are as follows:

	Singapore	Malaysia	The Philippines	USA	China	Total
	S\$	S\$	S\$	S\$	S\$	S\$
<b>9M23</b>						
Revenue	1,648,471	2,160,440	3,145,715	13,827,920	2,090,688	22,873,234
Number of customers	<u>1</u>	<u>2</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>12</u>

MICRO-MECHANICS (HOLDINGS) LTD  
Condensed Interim Financial Statements for Third Quarter and 9 Months Ended 31 March 2023

**Operating Segments 9M22**

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Total revenue from external customers	13,441,848	10,351,621	4,318,999	12,090,354	20,292,297	-	60,495,119
Inter-segment revenue	5,458,044	1,096,697	540,848	154	-	(7,095,743)	-
Total revenue	<u>18,899,892</u>	<u>11,448,318</u>	<u>4,859,847</u>	<u>12,090,508</u>	<u>20,292,297</u>	<u>(7,095,743)</u>	<u>60,495,119</u>
Segment result	4,279,971	5,056,618	1,672,407	(320,060)	8,699,480	(34,403)	19,354,013
Unallocated expenses							(619,552)
Profit from operations							18,734,461
Income tax expense	(796,260)	(1,197,239)	(117,064)	(18,648)	(2,232,406)	(430,978)	(4,792,595)
Net profit for the period							<u>13,941,866</u>
Segment assets	17,948,142	11,672,099	3,611,085	15,221,930	18,192,764	(493,017)	66,153,003
Unallocated assets							-
Others							985,505
Total assets							<u>67,138,508</u>
Segment liabilities	(2,202,405)	(818,518)	(1,083,969)	(2,309,184)	(2,475,962)	(1,437,407)	(10,327,445)
Unallocated liabilities							
Income tax	(1,562,584)	(768,053)	(44,572)	-	(753,976)	(612,425)	(3,741,610)
Others							(396,516)
Total liabilities							<u>(14,465,571)</u>
Other segment information:							
Capital expenditure	574,354	618,456	503,270	417,297	1,045,442	-	3,158,819
Depreciation	1,677,678	585,338	385,364	1,879,530	788,572	(13,475)	5,303,007
Non-current assets	10,943,870	4,701,828	2,095,279	9,469,051	4,362,288	(24,021)	31,548,295

**Major customers**

Revenues of major customers of the reportable segments are as follows:

	Singapore	Malaysia	The Philippines	USA	China	Total
	S\$	S\$	S\$	S\$	S\$	S\$
<b>9M22</b>						
Revenue	1,438,342	2,301,697	3,321,225	9,520,338	2,928,179	19,509,781
Number of customers	1	2	4	4	1	12

**E17 Subsequent events**

There were no known subsequent events which have led to adjustments to this set of condensed interim financial statements.

## F. OTHER INFORMATION REQUIRE BY APPENDIX LISTING RULE 7.2

### F1 Review

The condensed interim consolidated statement of financial position of Micro-Mechanics (Holdings) Ltd and its subsidiaries as at 31 March 2023 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the period then ended and certain explanatory notes have not been audited or reviewed.

#### F1.1 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

#### F1.2 Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

##### (a) Updates on the efforts taken to resolve each outstanding audit issue.

The audited financial statements for the year ended 30 June 2022 was not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

##### (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable.

### F2 Review of Group Performance

#### REVIEW OF PROFIT AND LOSS

##### *Semiconductor Industry Review*

Based on data from the World Semiconductor Trade Statistics (WSTS), worldwide semiconductor sales for the months of January and February 2023 totaled US\$81.0 billion, a decline of approximately 20% from the same two-month period in 2022.

The Semiconductor Association (SIA) said that despite record-high sales in 2022, the global semiconductor market cooled considerably during the second half of the year, and this trend has continued into 2023. In February 2023, global chip sales slowed on both a year-to-year and month-to-month basis for the sixth consecutive month.

The SIA said that although short-term market cyclicalities and macroeconomic headwinds have led to cooling sales, the semiconductor market's medium- and long-term prospects remain encouraging due to growing demand across a range of end markets. According to analysis by McKinsey & Co, the automotive and industrial sectors will represent 14% and 12% respectively of the average growth in chip sales by 2030 and will drive demand growth through the coming decade.

##### *Group Revenue*

		1Q	2Q	3Q	4Q	Full Year
REVENUE	FY2023	S\$20,193,798	S\$16,720,637	S\$14,912,076	NA	NA
	FY2022	S\$20,459,903	S\$20,372,878	S\$19,662,338	S\$21,969,646	S\$82,464,765
	% growth	(1.3%)	(17.9%)	(24.2%)	NA	NA

For the three months ended 31 March 2023 (3Q23), the Group's revenue decreased 24.2% year-on-year (yoy) to S\$14.9 million from S\$19.7 million in 3Q22. On a quarter-on-quarter (qoq) basis, Group revenue in 3Q23 also declined 10.8% from S\$16.7 million in 2Q23. The reduced sales in 3Q23 reflected the cyclically slower conditions in the global semiconductor industry.



For the nine months ended 31 March 2023 (9M23), the Group's revenue decreased 14.3% to S\$51.8 million as compared to S\$60.5 million in 9M22. Higher sales in the Singapore, Europe and USA markets were offset by lower sales in the China and Malaysia markets.

**Revenue breakdown by Geographical Market**

Country	Group										
	2Q23 S\$ m	3Q23		3Q22		% change	9M23		9M22		% change
	S\$ m	S\$ m	%	S\$ m	%		S\$ m	%	S\$ m	%	
Singapore	2.3	1.6	10.6%	1.9	9.5%	(15.3%)	6.6	12.7%	5.1	8.4%	28.7%
Malaysia	2.4	2.1	13.8%	3.3	17.0%	(38.6%)	7.4	14.3%	9.6	15.9%	(23.1%)
Philippines	1.1	1.2	7.9%	1.4	6.9%	(12.5%)	3.9	7.5%	4.1	6.8%	(6.2%)
Thailand	0.3	0.2	1.7%	0.3	1.8%	(28.7%)	0.9	1.7%	1.0	1.7%	(11.1%)
China	4.4	4.2	28.5%	6.6	33.3%	(35.2%)	14.1	27.3%	21.1	34.9%	(33.0%)
USA	4.5	3.9	26.2%	3.9	19.9%	(0.1%)	13.3	25.7%	12.1	19.9%	10.3%
Europe	0.7	0.8	5.1%	0.8	3.9%	(2.0%)	2.3	4.5%	2.1	3.5%	10.0%
Japan	0.2	0.2	1.3%	0.2	1.2%	(19.1%)	0.6	1.2%	0.9	1.5%	(27.9%)
Taiwan	0.7	0.6	4.2%	1.1	5.4%	(40.6%)	2.2	4.2%	3.5	5.8%	(37.1%)
Rest of world	0.1	0.1	0.7%	0.2	1.1%	(46.6%)	0.5	0.9%	0.9	1.6%	(51.1%)
<b>Total</b>	<b>16.7</b>	<b>14.9</b>	<b>100%</b>	<b>19.7</b>	<b>100%</b>	<b>(24.2%)</b>	<b>51.8</b>	<b>100%</b>	<b>60.5</b>	<b>100%</b>	<b>(14.3%)</b>

In line with the slowdown in the global semiconductor industry, the Group witnessed a broad-based decline in revenue across our geographical markets in 3Q23.

Sales in China declined 35.2% yoy to S\$4.2 million in 3Q23 and remained our largest geographical market with a 28.5% contribution to Group revenue in 3Q23.

The USA, which is our second largest market, registered stable sales of S\$3.9 million in both 3Q23 and 3Q22. Nonetheless, it accounted for a higher 26.2% of Group revenue in 3Q23 (vs 19.9% in 3Q22). Sales in the Malaysia market fell 38.6% to S\$2.1 million in 3Q23 and contributed 13.8% to Group revenue.

**Capacity Utilisation**

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2023		61%	55%	50%	NA
FY2022		61%	62%	62%	60%	61%

Our average capacity utilisation rate decreased to 50% in 3Q23 from 62% in 3Q22, in tandem with the reduction in the Group's revenue.

**Gross Profit (GP) Margin**

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2023		51.0%	45.2%	43.8%	NA
FY2022		55.5%	53.3%	53.4%	51.6%	53.4%

The Group's gross profit decreased 37.9% yoy to S\$6.5 million in 3Q23. As our operating costs are mainly fixed-cost in nature, the significant decline in business activities has resulted in the under absorption of costs. Coupled with inflationary pressures, the Group's GP margin in 3Q23 contracted to 43.8%, as compared to 53.4% in 3Q22.

For 9M23, the Group saw a reduction in its GP margin to 47.1% versus 54.1% in 9M22.

***Other income, Distribution Cost, Administrative Expenses and Other Operating Expenses***

Admin, Distribution and Other Operating Expenses (net of other income)		1Q	2Q	3Q	4Q	Full Year
	FY2023 % of sales	S\$4,651,508 23.0%	S\$4,787,796 28.6%	S\$4,188,560 28.1%	NA	NA
	FY2022 % of sales	S\$4,686,078 22.9%	S\$4,748,667 23.3%	S\$4,544,724 23.1%	S\$3,907,732 17.8%	S\$17,887,201 21.7%

Other income increased by 36.0% to S\$224k in 3Q23 from S\$165k in 3Q22 mainly due to gain on disposal of assets and higher interest income.

We continue to keep a close watch on our expense structure. Our distribution costs decreased by 12.2% to S\$673k in 3Q23 as compared to S\$767k in 3Q22. This was mainly due to lower sales incentives incurred as a result of lower revenue during the quarter. Administrative expenses decreased by 12.6% to S\$2.4 million in 3Q23 from S\$2.8 million in 3Q22 mainly due to lower payment of performance incentives. Other operating expenses increased by 12.8% to S\$1.3 million in 3Q23 from S\$1.1 million in 3Q22 mainly due to additional headcount, salary adjustment and unfavourable foreign exchange rates.

In aggregate, the Group's administrative, distribution and other operating expenses (net of other income) decreased to S\$4.2 million in 3Q23 from S\$4.5 million in 3Q22. As a percentage of sales, overhead expenses increased to 28.1% in 3Q23 as compared to 23.1% in the same period a year ago.

***Profit before Tax and Net Profit***

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2023	S\$4,246,771	S\$1,896,877	S\$1,635,486	NA	NA
	FY2022	S\$4,969,916	S\$4,557,439	S\$4,414,511	S\$5,864,685	S\$19,806,551
% growth	6.9%	(58.4%)	(63.0%)	NA	NA	

As a result of the above, the Group's profit before tax decreased by 60.8% to S\$2.3 million in 3Q23 from S\$6.0 million in 3Q22.

Income tax expenses decreased by 54.7% to S\$0.7 million in 3Q23 from S\$1.5 million in 3Q22. The tax expense in 3Q23 included a provision of S\$371k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries. The Group's effective tax rate increased to 30.0% in 3Q23 from 26.0% in 3Q22. This was due mainly to the loss of S\$364k registered at our USA subsidiary in 3Q23 as compared to the loss of S\$210k in 3Q22.

After deducting income tax expenses, the Group's net profit decreased by 63.0% yoy to S\$1.6 million in 3Q23 from S\$4.4 million in 3Q22.

For 9M23, the Group's net profit decreased by 44.2% to S\$7.8 million from S\$13.9 million in 9M22. Net profit margin was 15.0% in 9M23 as compared to 23.0% in 9M22.

Correspondingly, the Group's earnings per share decreased to 5.60 cents in 9M23 from 10.03 cents in 9M22.

***Balance Sheet***

The Group remains in a sound financial position. As at 31 March 2023, our balance sheet had total assets of S\$56.8 million, shareholders' equity of S\$44.9 million, cash and cash equivalents of S\$10.7 million and no bank borrowings.

***Long Term Assets***

As at 31 March 2023, non-current assets decreased to S\$30.0 million as compared to S\$31.3 million as at 30 June 2022 mainly due to the depreciation of property, plant and equipment.

**Trade Receivables**

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2023	S\$14,127,188	S\$11,246,346	S\$10,259,853	NA
	≥ 90 days	1.2%	0.2%	3.8%	
	Write-off	-	S\$141	-	
	FY2022	S\$13,954,251	S\$14,046,375	S\$13,328,623	S\$15,613,437
	≥ 90 days	0.4%	0.02%	0.76%	0.02%
	Write-off	-	-	-	-

In line with the lower revenue registered, total trade receivables decreased to S\$10.3 million as at 31 March 2023 from S\$15.6 million as at 30 June 2022. Of this, S\$385k was outstanding for 90 days or more (30 June 2022: S\$4k). There was no bad debt written off in 9M23 (9M22: Nil).

**Trade & Other Payables**

As at 31 March 2023, our trade payables totaled S\$0.8 million. Non-trade payables totaled S\$1.1 million. Accrued expenses reduced to S\$4.0 million from S\$5.9 million as at 30 June 2022.

**Long term liabilities**

As at 31 March 2023, the deferred tax liabilities was S\$1.7 million as compared to S\$1.5 million as at 30 June 2022.

**Inventory**

As a percentage of annualised sales, the Group's inventory of S\$5.0 million as at 31 March 2023 (30 June 2022: S\$5.7 million) was 7.3% (30 June 2022: 6.9%). Inventory written off in 3Q23 totaled S\$17.9k, as compared to S\$28.5k in 3Q22.

**Capital Expenditure**

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2023	S\$714,552	S\$1,798,144	S\$426,168	NA	NA
	% of sales					
	FY2022	S\$304,933	S\$1,110,231	S\$1,743,655	S\$1,746,225	S\$4,905,044
	% of sales					5.9%

The Group's capital expenditure in 9M23 amounted to S\$2.9 million which comprised mainly of S\$2.1 million incurred for the acquisition of new machines and accessories for our five factories worldwide, S\$0.2 million for renovation works at the USA factory, as well as S\$0.4 million for the purchase of computers and IT software for our factories. We expect to incur approximately S\$4.0 million (including the S\$2.9 million incurred during 9M23) of capital expenditure in FY2023.

**Cash Flow Analysis**

The Group generated net cash from operations of S\$1.6 million in 3Q23 (S\$7.1 million in 3Q22). After deducting net cash used for investing activities of S\$0.3 million and net cash used for financing activities of S\$8.7 million attributed largely to payment of dividends, we ended 3Q23 with cash and cash equivalents of S\$10.7 million, including S\$0.2 million in pledged deposits.

**F3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement had been issued for the current financial reporting period. There is no material variance from our previous financial period commentary under Section F4.

**F4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

At the start of FY2023 we began to see slower market conditions for semiconductors amid softening demand and higher chip inventories especially for Personal Computer and Smart Phone applications, which make up a major portion of total chip consumption. After hitting sales of S\$20.2 million in 1Q23, Group revenue declined 17% qoq to S\$16.7 million in 2Q23. During 3Q23, Group revenue continued to soften by 11% qoq to S\$14.9 million. As a result, revenue for the first nine months of FY2023 declined 14.3% to S\$51.8 million from S\$60.5 million in 9M22. Although we reduced overhead expenses during 9M23 to S\$13.6 million from S\$14.0 million in 9M22, it is difficult to compensate for significant revenue declines in the short term due to the largely fixed-cost nature of our operations. As a result, profit before tax for 9M23 fell 42.6% to S\$10.8 million from S\$18.7 million in 9M22.

Moving into 4Q23, we believe the semiconductor industry will continue to slow until the excesses and supply-demand imbalances ease. Together with a host of economic and political concerns including the tragic war between Russia and Ukraine, we expect the business environment to remain challenging. We will keep shareholders updated if there are material developments that could affect the Group's performance.

Although the suddenness and rapidity of the semiconductor industry's downturn caught us and many industry watchers by surprise, we have always been mindful of the need to build an organization that is flexible and resilient. To that end, our goal is to stay focused on various fundamentals and key progress initiatives which we believe, in the long term, will make us a stronger competitor in the industry. These include:

- **Keeping an Unwavering Focus On Our Customers**  
Having an unrelenting focus on our customers remains a key objective. Because a single defect can cause disastrous consequences in the ultra-complex manufacturing process of semiconductors, our customers need the parts and tools that we make to be flawless. At the same time, our customers need suppliers that are responsive, cost-effective and resilient. To this end, our strategies include automating our operations and working to reduce or eliminate tedious processes that are both difficult to staff and prone to human error. Together with the Group's decentralized structure, which includes plants in Singapore, Malaysia, China, the Philippines and the United States, we intend to continue strengthening our ability to provide fast, effective and local support to our global customers. To ensure we have the requisite capacity and capabilities, the Group made capital investments of S\$2.9 million for our five factories during 9M23. For FY2023, we expect to invest a total of about S\$4 million which will mainly be for new production equipment.
- **Maintaining a Healthy Gross-Profit Margin**  
Although the downturn in the industry together with rising costs for everything from materials to energy and manpower put significant downward pressure on our GP margin, we still managed to achieve a margin of 47.1 percent in 9M23. This was down from 54.1% in 9M22 and below our target of 50% due mainly to the difficulty in compensating for significant short-term revenue declines given the largely fixed-cost nature of our operations. As we move into 4Q23 and our new financial year, we will continue our relentless focus on working to strengthen our GP margin with initiatives that enhance the value we bring to our customers, improve quality and streamline the way our plants operate.
- **Building a Lean, Effective and Resilient Operation**  
Maintaining a tight rein on expenses while striving for operational effectiveness and resilience is also a key goal. With a stringent process for approving major expenses and investments, the Group managed to reduce our total distribution, administrative and other expenses, including other income, to S\$4.2 million in 3Q23, from S\$4.5 million in 3Q22 and S\$4.8 million in 2Q23. As a percentage of sales, these overhead expenses totaled about 28% of sales (23% for 3Q22). We intend to continue working to improve this important measure of how well our people and resources are used to support the Group's customers and core manufacturing activity.
- **Driving Performance Through Good Governance**  
Since becoming a publicly-listed company in 2003, we have worked hard to put good governance at the heart of everything we do. Although keeping up with the best practices in compliance and reporting are important, we like to see good governance as more than "ticking the boxes." Rather, we believe corporate governance provides an invaluable methodology for driving performance by aligning the way our people at all levels – from the Board Room to the Shop Floor - make decisions and take actions to enhance and protect stakeholder value. In other words, when it comes to assessing good governance, we think conformance and performance are inseparable.

As such, our aim is to build a great manufacturing business with a strong balance sheet while fostering a culture of resourcefulness, discipline and careful decision making. During 9M23, we generated S\$13.9 million in net cash. After net investing activities of S\$2.7 million and distributing S\$19.5 million in dividends, which includes an interim dividend paid on 17 February 2023 of 6 cents per share totaling S\$8.3 million, we ended 9M23 with cash and cash equivalents of S\$10.7 million including S\$0.2 million in pledged deposits) and no bank borrowings.

Including the interim dividend paid to shareholders during 3Q23, we have distributed 119.9 cents per share since becoming a listed company in 2003. This translates into a return of about 650% on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

During FY2016, we formalized our governance philosophy of rewarding shareholders by instituting a dividend policy to distribute 40% or more of the Group's after-tax annual earnings to shareholders, after taking into consideration the Group's financial performance, cash flow generated from operations, projected capital requirements for business growth, general economic conditions and other factors as the Board may deem appropriate. While we have regularly exceeded this dividend payout threshold of 40%, the Board believes it may be prudent for the Group to retain a higher amount of cash than we have typically held on our balance sheet. Given the uncertain economic conditions ahead, this will help to ensure the Group has sufficient capital resources to take advantage of a cyclical recovery in the semiconductor industry and to pursue opportunities that may arise.

- **Beginning a New Chapter and Preparing for the Future**

During 3Q23, Micro-Mechanics marked forty years since our founding in 1983. As we prepare for the next forty years, the Board would like to convey its deepest appreciation to Mr. Chow Kam Wing, Executive Director and CFO, who retired from the Group on 31 January 2023 after 27 years of service. On 30 April 2023, Mr. Low Ming Wah, Executive Director and COO, will also retire from the Group after 34 years of invaluable service. Upon stepping down from their executive positions, and as part of the Company's pre-determined succession planning process, Mr. Chow and Mr. Low will continue to be employed by the Company as advisors for a period of one year. This will ensure a smooth transition for Mr. Chow to handover to Ms. Wendy Tan Wei Lee who stepped up on 1 February 2023 from her position as Financial Controller to become Vice President, Finance of the Group. Ms. Tan has been working closely with Mr. Chow in the Group's finance department since she joined Micro-Mechanics in 2001. In her new role, Ms. Tan has assumed responsibility for finance, accounting and internal control matters. She has also been appointed as Company Secretary.

Similarly, Mr. Low will help in the transition of responsibilities to members of the Group's senior leadership, including Mr. Kyle Borch who was appointed as Deputy CEO and Executive Director on 1 January 2023. Mr. Borch joined Micro-Mechanics in August 2018 and has been active in the Group's operations in various engineering roles.

In his new capacity as Deputy CEO, one of Mr. Kyle Borch's first tasks has been to assemble and lead an interdisciplinary team of people from the Group's five worldwide plants focused on accelerating the adoption of continuous improvement and *Center of Excellence* initiatives. In addition to strengthening the operations at each plant, the new approach will give opportunities to employees to develop technical and problem-solving skills, gain international exposure and develop leadership qualities.

## **F5. Dividend Information**

### **(a) Current Financial Period Reported on**

Any dividend recommended for the current financial period reported on?

Nil.

### **(b) Corresponding Period of the Immediate Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

### **(c) The date dividend is payable**

Not applicable.

**(d) Record date for dividend payment**

Not applicable.

**(e) If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividend has been declared in the third quarter ended 31 March 2023 which is in line with the Group's usual practice to declare or recommend dividend in the second quarter and fourth quarter of each financial year since its IPO.

**F6. Interested person transactions**

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

For the year to date ended 31 March 2023, the Group has made rental payment of US\$324,000 (31 March 2022: US\$315,000) and electrical services payment of US\$127,562 (31 March 2022: US\$100,552) to Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

Except for the above, there was no other interested person transaction relating to any director, controlling shareholders and their associates as defined in Chapter 9 of the Listing Manual.

**F7. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

**F8. Disclosure of person occupying a managerial position who are related to a director, CEO or substantial shareholder**

Not applicable.

**F9. Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)**

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results of the Group and of the Company for the financial period ended 31 March 2023 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**Wendy Tan Wei Lee**  
Company Secretary  
28 April 2023