

MICRO-MECHANICS (HOLDINGS) LTD

**Condensed Interim Financial Statements
For Second Quarter and Half Year Ended
31 December 2021**

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND HALF YEAR ENDED 31 DECEMBER 2021

	Note	Group					
		Q2			Half year		
		Oct to Dec 2021 S\$	Oct to Dec 2020 S\$	Change	Jul to Dec 2021 S\$	Jul to Dec 2020 S\$	Change
Revenue	E4	20,372,878	18,748,772	8.7%	40,832,781	36,895,183	10.7%
Cost of sales		(9,512,332)	(8,642,296)	10.1%	(18,626,609)	(16,849,293)	10.5%
Gross profit		10,860,546	10,106,476	7.5%	22,206,172	20,045,890	10.8%
Other income	E5	141,270	337,528	(58.1%)	230,110	670,276	(65.7%)
Distribution costs		(805,065)	(833,782)	(3.4%)	(1,608,141)	(1,641,184)	(2.0%)
Administrative expenses		(2,905,619)	(2,885,642)	0.7%	(5,695,295)	(5,340,119)	6.7%
Other operating expenses		(1,179,253)	(1,038,375)	13.6%	(2,361,419)	(2,089,120)	13.0%
Profit from operations		6,111,879	5,686,205	7.5%	12,771,427	11,645,743	9.7%
Finance costs		-	-		-	-	
Profit before income tax	E5	6,111,879	5,686,205	7.5%	12,771,427	11,645,743	9.7%
Income tax expense	E6	(1,554,440)	(1,231,868)	26.2%	(3,244,072)	(2,540,321)	27.7%
Profit after tax		4,557,439	4,454,337	2.3%	9,527,355	9,105,422	4.6%
Non-controlling interests		-	-		-	-	
Profit for the period		4,557,439	4,454,337	2.3%	9,527,355	9,105,422	4.6%
Profit for the period		4,557,439	4,454,337	2.3%	9,527,355	9,105,422	4.6%
Other comprehensive income:							
Item that is or may be reclassified subsequently to profit or loss:							
Foreign currency translation differences for foreign operations, net of tax		(79,188)	(422,491)	(81.3%)	196,255	(382,488)	(151.3%)
Total comprehensive income for the period		4,478,251	4,031,846	11.1%	9,723,610	8,722,934	11.5%
Earnings per share:	E7						
Basic (SGD in cent)		3.28	3.20		6.85	6.55	
Diluted (SGD in cent)		3.28	3.20		6.85	6.55	

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group 31 Dec 21 S\$	Group 30 Jun 21 S\$	Company 31 Dec 21 S\$	Company 30 Jun 21 S\$
Non-current assets					
Property, plant and equipment	E9	28,194,806	29,666,904	-	-
Right-of-use assets		1,859,205	2,461,711	-	-
Investment property	E10	336,272	330,653	-	-
Subsidiaries		-	-	29,095,544	29,095,544
Trade and other receivables	E11	1,101,371	462,102	-	-
Deferred tax asset		34,010	39,096	-	-
		31,525,664	32,960,466	29,095,544	29,095,544
Current assets					
Inventories		5,820,557	5,201,641	-	-
Trade and other receivables	E11	14,732,225	13,552,136	1,019,935	1,971,372
Cash and cash equivalents		18,325,954	20,611,778	4,362,164	10,594,061
		38,878,736	39,365,555	5,382,099	12,565,433
Total assets		70,404,400	72,326,021	34,477,643	41,660,977
Shareholders' equity					
Share capital	E12	14,782,931	14,782,931	14,782,931	14,782,931
Reserves		371,663	175,408	-	-
Accumulated profits		41,412,166	43,007,362	18,990,324	26,161,805
		56,566,760	57,965,701	33,773,255	40,944,736
Non-current liabilities					
Deferred tax liabilities		1,516,048	1,385,784	424,312	203,601
Trade and other payables	E13	854,062	867,591	-	-
Lease liabilities		814,981	1,339,999	-	-
		3,185,091	3,593,374	424,312	203,601
Current liabilities					
Trade and other payables	E13	7,406,064	7,861,437	280,076	509,055
Lease liabilities		1,094,116	1,152,578	-	-
Current tax payable		2,152,369	1,752,931	-	3,585
		10,652,549	10,766,946	280,076	512,640
Total liabilities		13,837,640	14,360,320	704,388	716,241
Total equity and liabilities		70,404,400	72,326,021	34,477,643	41,660,977

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\$
The Group					
As at 1 July 2020	14,782,931	329,672	(149,704)	43,021,070	57,983,969
Total comprehensive income for the period:					
Profit for the period	-	-	-	9,105,422	9,105,422
Other comprehensive income:					
Foreign currency translation differences, net of tax	-	(382,488)	-	-	(382,488)
Total comprehensive income for the period	-	(382,488)	-	9,105,422	8,722,934
Transactions with owners, recorded directly in equity					
Final dividend of 5.0 cents per share & special dividend of 2.0 cent per share (one tier tax-exempt) in respect of FY2020	-	-	-	(9,732,232)	(9,732,232)
Total transactions with owners, recorded directly in equity	-	-	-	(9,732,232)	(9,732,232)
As at 31 December 2020	14,782,931	(52,816)	(149,704)	42,394,260	56,974,671
As at 1 July 2021	14,782,931	272,054	(96,646)	43,007,362	57,965,701
Total comprehensive income for the period:					
Profit for the period	-	-	-	9,527,355	9,527,355
Other comprehensive income:					
Foreign currency translation differences, net of tax	-	196,255	-	-	196,255
Total comprehensive income for the period	-	196,255	-	9,527,355	9,723,610
Transactions with owners, recorded directly in equity					
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)
Total transactions with owners, recorded directly in equity	-	-	-	(11,122,551)	(11,122,551)
As at 31 December 2021	14,782,931	468,309	(96,646)	41,412,166	56,566,760

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	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
	S\$	S\$	S\$	S\$
The Company				
As at 1 July 2020	14,782,931	-	25,602,968	40,385,899
Total comprehensive income for the period:				
Net profit for the period	-	-	5,480,639	5,480,639
Total comprehensive income for the period	-	-	5,480,639	5,480,639
Transactions with owners, recorded directly in equity				
Final dividend of 5.0 cents per share & special dividend of 2.0 cent per share (one tier tax- exempt) in respect of FY2020	-	-	(9,732,232)	(9,732,232)
Total transactions with owners, recorded directly in equity	-	-	(9,732,232)	(9,732,232)
As at 31 December 2020	14,782,931	-	21,351,375	36,134,306
As at 1 July 2021	14,782,931	-	26,161,805	40,944,736
Total comprehensive income for the period:				
Net profit for the period	-	-	3,951,070	3,951,070
Total comprehensive income for the period	-	-	3,951,070	3,951,070
Transactions with owners, recorded directly in equity				
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)
Total transactions with owners, recorded directly in equity	-	-	(11,122,551)	(11,122,551)
As at 31 December 2021	14,782,931	-	18,990,324	33,773,255

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASHFLOW FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	GROUP			
	Q2		Half year	
	Oct to Dec 2021 S\$	Oct to Dec 2020 S\$	Jul to Dec 2021 S\$	Jul to Dec 2020 S\$
Cash flows from operating activities				
Profit for the period	4,557,439	4,454,337	9,527,355	9,105,422
Adjustments for:				
Depreciation of property, plant and equipment	1,769,044	1,721,332	3,500,122	3,400,064
Depreciation of investment property	3,452	-	6,525	-
Property, plant and equipment written off	9,231	10	9,231	28
(Gain)/loss on disposal of property, plant and equipment	(2,329)	(7,226)	9,353	(3,772)
Interest income	(12,094)	(14,056)	(24,339)	(29,460)
Interest expense on lease liabilities	22,499	21,515	48,394	46,667
Tax expense	1,554,440	1,231,868	3,244,072	2,540,321
Operating profit before changes in working capital	7,901,682	7,407,780	16,320,713	15,059,270
Inventories	(205,128)	455,141	(603,838)	542,984
Trade and other receivables	54,361	608,272	(1,760,788)	285,845
Trade and other payables	367,349	1,513,157	(417,475)	2,190,615
Cash generated from operations	8,118,264	9,984,350	13,538,612	18,078,714
Income tax paid	(1,829,777)	(1,391,902)	(2,718,703)	(2,300,391)
Net cash from operating activities	6,288,487	8,592,448	10,819,909	15,778,323
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,110,231)	(2,975,450)	(1,415,164)	(5,250,186)
Proceeds from disposal of property, plant and equipment	2,342	8,280	4,708	12,067
Interest received	12,751	14,659	22,330	26,330
Net cash used in investing activities	(1,095,138)	(2,952,511)	(1,388,126)	(5,211,789)
Cash flows from financing activities				
Lease paid	(321,245)	(268,828)	(641,554)	(566,870)
Dividends paid	(11,122,551)	(9,732,232)	(11,122,551)	(9,732,232)
Net cash used in financing activities	(11,443,796)	(10,001,060)	(11,764,105)	(10,299,102)
Net (decrease)/ increase in cash and cash equivalents	(6,250,447)	(4,361,123)	(2,332,322)	267,432
Cash and cash equivalents at beginning of period	24,425,142	25,326,665	20,449,978	20,651,935
Effect of exchange rate fluctuations	(10,591)	(56,582)	46,448	(10,407)
Cash and cash equivalents at the end of period	18,164,104	20,908,960	18,164,104	20,908,960

Note:

(i) Cash and cash equivalent is derived from:

	Group 31 Dec 21 S\$	Group 31 Dec 20 S\$
Cash and cash equivalent balances	18,325,954	21,073,660
Less: Pledged cash placed with bank	(161,850)	(164,700)
	18,164,104	20,908,960

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 second quarter and half year ended 31 December 2021 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 2021.

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 2021, 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 2021:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)

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

E3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical 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									
	2Q22		2Q21		% change	1H22		1H21		% change
	S\$	%	S\$	%		S\$	%	S\$	%	
Singapore	1,521,890	7%	1,677,123	9%	(9%)	3,230,438	8%	3,618,735	10%	(11%)
Malaysia	3,383,713	17%	3,048,181	16%	11%	6,277,382	15%	5,800,532	16%	8%
Philippines	1,378,507	7%	1,563,899	8%	(12%)	2,781,492	7%	3,111,130	8%	(11%)
Thailand	338,030	2%	500,701	3%	(33%)	666,144	1%	836,114	2%	(20%)
China	7,298,315	36%	5,848,968	31%	25%	14,575,418	36%	11,292,773	31%	29%
USA	4,147,504	20%	3,818,645	21%	9%	8,148,590	20%	7,497,039	20%	9%
Europe	602,569	3%	618,752	3%	(3%)	1,353,835	3%	1,177,023	3%	15%
Japan	321,980	2%	309,613	2%	4%	644,217	2%	593,731	2%	9%
Taiwan	1,120,360	5%	1,119,957	6%	(0%)	2,425,622	6%	2,452,977	7%	(1%)
Rest of world	260,010	1%	242,933	1%	7%	729,643	2%	515,129	1%	42%
Total	20,372,878	100%	18,748,772	100%	9%	40,832,781	100%	36,895,183	100%	11%

E5 Profit before income tax

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

Income:

	Q2			Half year		
	Oct to Dec 2021 S\$	Oct to Dec 2020 S\$	Change	Jul to Dec 2021 S\$	Jul to Dec 2020 S\$	Change
Gain/(loss) on disposal of property, plant and equipment	2,329	7,226	(67.8%)	(9,353)	3,772	(348.0%)
Interest income from banks and others	12,094	14,056	(14.0%)	24,339	29,460	(17.4%)
Rental income	30,615	31,059	(1.4%)	61,116	61,907	(1.3%)
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	17,227	325,749	(94.7%)	30,565	585,548	(94.8%)
Exchange gain/(loss)	2,888	(64,057)	(104.5%)	(15,955)	(57,119)	(72.1%)
Others	76,117	23,495	224.0%	139,398	46,708	198.4%

Expenses:

	Q2			Half year		
	Oct to Dec 2021 S\$	Oct to Dec 2020 S\$	Change	Jul to Dec 2021 S\$	Jul to Dec 2020 S\$	Change
Depreciation of property, plant and equipment	1,462,618	1,433,168	2.1%	2,888,108	2,817,403	2.5%
Depreciation of investment property	3,452	-	n.m.	6,525	-	n.m.
Depreciation of right-of-use assets	306,426	288,164	6.3%	612,014	582,661	5.0%
Inventories written off	48,800	41,831	16.7%	85,892	68,753	24.9%
Interest expense on lease liabilities	22,499	21,515	4.6%	48,394	46,667	3.7%
Property, plant and equipment written off	9,231	10	92210%	9,231	28	32868%

E6 Income tax expense

	Q2		Half year	
	Oct to Dec 2021 S\$	Oct to Dec 2020 S\$	Jul to Dec 2021 S\$	Jul to Dec 2020 S\$
Tax charge				
Current period	1,403,847	1,082,877	2,939,203	2,258,925
Under/(Over) provision in prior years	5,208	(3,086)	12,460	(6,170)
	1,409,055	1,079,791	2,951,663	2,252,755
Deferred tax				
Origination and reversal of temporary differences	145,385	152,077	291,911	287,566
Under provision in prior years	-	-	498	-
	145,385	152,077	292,409	287,566
Total tax expense	1,554,440	1,231,868	3,244,072	2,540,321

E7 Earnings per share

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

	Group (Half year) 6 months ended	
	31 Dec 2021	31 Dec 2020
Profit for the period	9,527,355	9,105,422
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)	6.85	6.55

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 Dec 21	Group 30 Jun 21	Company 31 Dec 21	Company 30 Jun 21
Net Asset Value per ordinary share (cents)	40.69	41.69	24.29	29.45

The net asset value per ordinary share is calculated based on net assets of S\$56.6 million (30 June 2021: S\$58.0 million) and 139,031,881 (30 June 2021: 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 December 2021, the Group acquired property, plant and equipment with an aggregate cost of S\$1,415,164 (31 December 2020: S\$5,250,186). The amount of assets disposed for financial period ended 31 December 2021 was S\$23,291 (31 December 2020: S\$8,322).

E10 Investment Property

The property is an industrial building located in Malaysia. The fair value of the investment property as at 31 December 2021 was S\$2,071,680 (30 June 2021: \$2,071,040). 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

	Group 31 Dec 21 S\$	Group 30 Jun 21 S\$	Company 31 Dec 21 S\$	Company 30 Jun 21 S\$
Trade receivables	14,046,375	12,867,220	–	–
Other receivables	84,784	71,240	–	–
Deposits	340,766	344,918	–	–
Amount owing by subsidiaries (non-trade)	–	–	1,011,185	1,959,622
Financial assets at amortised cost	14,471,925	13,283,378	1,011,185	1,959,622
Advances to suppliers	770,548	137,382	–	–
Prepayments	585,216	593,203	8,750	11,750
Forward exchange contracts	5,907	275	–	–
Trade and other receivables	15,833,596	14,014,238	1,019,935	1,971,372
Non-current	1,101,371	462,102	–	–
Current	14,732,225	13,552,136	1,019,935	1,971,372
	15,833,596	14,014,238	1,019,935	1,971,372

E12 Share Capital

Group and Company	31 December 2021		30 June 2021	
	Number of shares	S\$	Number of shares	S\$
Fully paid ordinary shares with no par value				
At 1 July and 31 December	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 2021.

There were no outstanding convertibles as at 31 December 2021 (30 June 2021: Nil).

The Company did not hold any treasury shares as at 31 December 2021 (30 June 2021: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the three months ended 31 December 2021.

E13 Trade and other payables

	Group 31 Dec 21 S\$	Group 30 Jun 21 S\$	Company 31 Dec 21 S\$	Company 30 Jun 21 S\$
Trade payables	1,325,616	1,170,787	–	–
Other payables	906,039	1,063,516	32,316	29,244
Accrued expenses	5,380,905	5,834,585	247,760	479,811
Advances from customers	120,567	102,963	–	–
Forward exchange contracts	1,228	32,992	–	–
Provision for retirement benefits	525,771	524,185	–	–
	<u>8,260,126</u>	<u>8,729,028</u>	<u>280,076</u>	<u>509,055</u>
Non-current	854,062	867,591	–	–
Current	7,406,064	7,861,437	280,076	509,055
	<u>8,260,126</u>	<u>8,729,028</u>	<u>280,076</u>	<u>509,055</u>

E14 Borrowings

The Group does not have any bank borrowings for six months ended 31 December 2021 and 30 June 2021.

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:

	Financial assets at amortised cost \$	Designated at fair value \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
Group					
31 December 2021					
Trade and other receivables*	14,471,925	–	–	14,471,925	
Forward exchange contracts- assets	–	5,907	–	5,907	5,907
Cash and cash equivalents	18,325,954	–	–	18,325,954	
	<u>32,797,879</u>	<u>5,907</u>	<u>–</u>	<u>32,803,786</u>	
Trade and other payables**	–	–	(7,396,551)	(7,396,551)	
Forward exchange contracts -liability	–	(1,228)	–	(1,228)	(1,228)
	<u>–</u>	<u>(1,228)</u>	<u>(7,396,551)</u>	<u>(7,397,779)</u>	
30 June 2021					
Trade and other receivables*	13,283,378	–	–	13,283,378	
Forward exchange contracts- assets	–	275	–	275	275
Cash and cash equivalents	20,611,778	–	–	20,611,778	
	<u>33,895,156</u>	<u>275</u>	<u>–</u>	<u>33,895,431</u>	
Trade and other payables**	–	–	(7,858,725)	(7,858,725)	
Forward exchange contracts -liability	–	(32,992)	–	(32,992)	(32,992)
	<u>–</u>	<u>(32,992)</u>	<u>(7,858,725)</u>	<u>(7,891,717)</u>	

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Company	Financial assets at amortised cost \$	Designated at fair value \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
31 December 2021					
Trade and other receivables*	1,011,185	–	–	1,011,185	
Cash and cash equivalents	4,362,164	–	–	4,362,164	
	<u>5,373,349</u>	<u>–</u>	<u>–</u>	<u>5,373,349</u>	
Trade and other payables**	–	–	(280,076)	(280,076)	
30 June 2021					
Trade and other receivables*	1,959,622	–	–	1,959,622	
Cash and cash equivalents	10,594,061	–	–	10,594,061	
	<u>12,553,683</u>	<u>–</u>	<u>–</u>	<u>12,553,683</u>	
Trade and other payables**	–	–	(509,055)	(509,055)	

* 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).

Group	Level 2 \$	Total \$
31 December 2021		
Forward exchange contracts – asset	5,907	5,907
Forward exchange contracts – liability	<u>(1,228)</u>	<u>(1,228)</u>
30 June 2021		
Forward exchange contracts – asset	275	275
Forward exchange contracts – liability	<u>(32,992)</u>	<u>(32,992)</u>

E16 Segment reporting

Operating Segments 1H22

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Total revenue from external customers	9,096,862	6,733,950	2,897,608	8,128,660	13,975,701	-	40,832,781
Inter-segment revenue	3,805,210	721,108	403,946	60	-	(4,930,324)	-
Total revenue	12,902,072	7,455,058	3,301,554	8,128,720	13,975,701	(4,930,324)	40,832,781
Segment result	3,007,377	3,248,540	1,097,835	(110,281)	6,018,298	(55,009)	13,206,760
Unallocated expenses							(435,333)
Profit from operations							12,771,427
Income tax expense	(555,651)	(781,901)	(77,264)	(13,559)	(1,529,536)	(286,161)	(3,244,072)
Net profit for the period							9,527,355
Segment asset	19,741,562	11,988,313	3,266,483	15,480,808	16,069,940	(513,619)	66,033,487
Unallocated assets							4,370,913
Others							70,404,400
Total assets							70,404,400
Segment liabilities	(2,884,620)	(883,315)	(852,735)	(2,387,213)	(2,240,345)	(640,918)	(9,889,146)
Unallocated liabilities							
Income tax	(1,700,821)	(754,464)	(39,595)	-	(749,225)	(424,312)	(3,668,417)
Others							(280,077)
Total liabilities							(13,837,640)
Other segment information:							
Capital expenditure	308,894	336,580	86,398	341,473	341,819		1,415,164
Depreciation	1,121,823	386,640	260,675	1,231,383	515,110	(8,984)	3,506,647
Non-current assets	10,997,033	4,648,896	1,921,972	10,005,312	3,980,965	(28,514)	31,525,664

Major customers

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	\$	\$	\$	\$	\$	\$
1H22						
Revenue	-	756,294	2,244,586	6,385,546	2,190,358	11,576,784
Number of customers	-	1	4	4	1	10

MICRO-MECHANICS (HOLDINGS) LTD
Condensed Interim Financial Statements for Second Quarter and Half Year Ended 31 December 2021

Operating Segments 1H21

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Total revenue from external customers	8,332,869	6,209,883	3,276,181	8,280,025	10,796,225	-	36,895,183
Inter-segment revenue	3,421,541	922,743	135,704	190	-	(4,480,178)	-
Total revenue	11,754,410	7,132,626	3,411,885	8,280,215	10,796,225	(4,480,178)	36,895,183
Segment result	3,034,573	2,844,533	1,169,360	718,800	4,198,052	61,615	12,026,933
Unallocated expenses							(381,190)
Profit from operations							11,645,743
Income tax expense	(460,230)	(690,803)	(88,234)	(1,084)	(1,069,484)	(230,486)	(2,540,321)
Net profit for the period							9,105,422
Segment asset	21,337,191	12,995,425	3,574,116	15,448,719	12,741,681	(537,424)	65,559,708
Unallocated assets							6,433,672
Others							71,993,380
Total assets							
Segment liabilities	(3,893,588)	(991,725)	(906,333)	(2,997,277)	(1,970,847)	(518,305)	(11,278,075)
Unallocated liabilities							
Income tax	(1,755,492)	(774,474)	(45,801)	-	(545,940)	(337,032)	(3,458,739)
Others							(281,895)
Total liabilities							(15,018,709)
Other segment information:							
Capital expenditure	2,518,994	323,285	153,354	2,191,814	62,739	-	5,250,186
Depreciation	1,106,266	423,870	289,993	1,113,388	494,188	(27,641)	3,400,064
Non-current assets	12,529,095	4,936,298	1,949,804	9,771,001	3,908,149	(69,433)	33,024,914

Major customers

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	\$	\$	\$	\$	\$	\$
1H21						
Revenue	2,398,904	3,692,526	4,161,333	13,095,716	2,802,548	26,151,027
Number of customers	2	4	4	5	1	16

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 December 2021 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 2021 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 in the five months from July to November 2021 increased 26.7% to US\$243.9 billion compared to the same period in 2020. The Semiconductor Industry Association (SIA) said that chip sales and units shipped are projected to reach all-time highs in 2021, with moderate annual growth expected in 2022.

In its Semiconductor Market Forecast released on 30 November 2021, WSTS expects the worldwide semiconductor market to grow by 25.6% to reach a market size of US\$553 billion in 2021. This would be the chip industry's highest growth rate in 11 years since it registered a 31.8% increase in 2010. For 2022, WSTS is projecting the growth rate of the global semiconductor market to moderate and increase by 8.8% to US\$601 billion.

Group Revenue

		1Q	2Q	3Q	4Q	Full Year
REVENUE	FY2022	S\$20,459,903	S\$20,372,878	NA	NA	NA
	FY2021	S\$18,146,411	S\$18,748,772	S\$17,689,537	S\$19,143,982	S\$73,728,702
	% growth	12.7%	8.7%	NA	NA	NA

For the three months ended 31 December 2021 (2Q22), the Group's revenue increased by 8.7% year-on-year (yoy) to S\$20.4 million from S\$18.7 million in 2Q21, buoyed by the continuing growth of the global semiconductor industry.

On a quarter-on-quarter (qoq) basis, Group revenue registered in 2Q22 was relatively stable as compared to S\$20.5 million in 1Q22.

For the six months ended 31 December 2021 (1H22), the Group's revenue increased by 10.7% to a half yearly record of S\$40.8 million as compared to S\$36.9 million in 1H21. This was driven by higher sales registered in the China and USA markets.

Revenue breakdown by Geographical Market

Country	Group										
	1Q22 S\$ m	2Q22 S\$ m	%	2Q21 S\$ m	%	% change	1H22 S\$ m	%	1H21 S\$ m	%	% change
Singapore	1.7	1.5	7%	1.7	9%	(9%)	3.2	8%	3.6	10%	(11%)
Malaysia	2.9	3.4	17%	3.1	16%	11%	6.3	15%	5.8	16%	8%
Philippines	1.4	1.4	7%	1.6	8%	(12%)	2.8	7%	3.1	8%	(11%)
Thailand	0.3	0.3	2%	0.5	3%	(33%)	0.7	1%	0.8	2%	(20%)
China	7.3	7.3	36%	5.8	31%	25%	14.6	36%	11.3	31%	29%
USA	4.0	4.2	20%	3.8	21%	9%	8.1	20%	7.5	20%	9%
Europe	0.8	0.6	3%	0.6	3%	(3%)	1.4	3%	1.2	3%	15%
Japan	0.3	0.3	2%	0.3	2%	4%	0.6	2%	0.6	2%	9%
Taiwan	1.3	1.1	5%	1.1	6%	(0%)	2.4	6%	2.5	7%	(1%)
Rest of world	0.5	0.3	1%	0.2	1%	7%	0.7	2%	0.5	1%	42%
Total	20.5	20.4	100%	18.7	100%	9%	40.8	100%	36.9	100%	11%

The Group's higher revenue in 2Q22 was due mainly to sales growth in our three largest markets - China, the USA and Malaysia markets.

Sales in China grew by 25% to S\$7.2 million in 2Q22 and remained our largest geographical market which constituted 36% of the Group's revenue. Sales from our second largest market in the USA increased by 9% to S\$4.2 million in 2Q22 and accounted for 20% of Group revenue.

Sales in the Malaysia market increased by 11% to S\$3.4 million in 2Q22 and contributed 17% to the Group's revenue.

The Group registered sales of S\$1.5 million in Singapore during 2Q22, a 9% reduction from S\$1.7 million in 2Q21. Sales in the Philippines decreased 12% to S\$1.4 million in 2Q22 from S\$1.6 million in 2Q21.

Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2022	61%	62%	NA	NA	NA
FY2021	59%	57%	56%	58%	57%	

Our average capacity utilisation rate increased from 57% in 2Q21 to 62% in 2Q22, which was in line with the increase in the Group's sales.

Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2022	55.5%	53.3%	NA	NA	NA
FY2021	54.8%	53.9%	54.5%	54.0%	54.3%	

The Group's gross profit increased 7.5% yoy to S\$10.9 million in 2Q22. The Group's GP margin in 2Q22 remained relatively stable at 53.3% as compared to 53.9% in 2Q21. For 1H22, the Group's GP margin held steady at 54.4% versus 54.3% in 1H21.

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
	FY2022 % of sales	S\$4,686,078 22.9%	S\$4,748,667 23.3%	NA	NA	NA
	FY2021 % of sales	S\$3,979,876 21.9%	S\$4,420,271 23.6%	S\$4,260,744 24.1%	S\$4,132,375 21.6%	S\$16,793,266 22.8%

The Group registered a 58.1% decrease in other income to S\$141k in 2Q22 from S\$338k in 2Q21. The decline was mainly due to the absence of government grants amounting to S\$318k provided to our Singapore subsidiary during the COVID-19 pandemic in 2Q21. These government grants were no longer available in 2Q22.

We continue to keep a close watch on our expense structure. Our distribution cost and administrative expenses was stable at S\$0.8 million and S\$2.9 million in 2Q22 and 2Q21 respectively. Other operating expenses in 2Q22 increased by 13.6% to S\$1.2 million due mainly to higher salary and overtime expenses incurred at our USA plant, as well as engineering expenses incurred - to support the development of new parts and processes and increased in utilities rate due to rising fuel prices.

In aggregate, the Group's administrative, distribution and other operating expenses (net of other income) increased from S\$4.4 million in 2Q21 to S\$4.7 million in 2Q22. As a percentage of sales, overhead expenses were relatively unchanged at 23.3% in 2Q22 compared to 23.6% in the same period a year ago.

Profit before Tax and Net Profit

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2022	S\$4,969,916	S\$4,557,439	NA	NA	NA
	FY2021	S\$4,651,085	S\$4,454,337	S\$4,173,832	S\$4,781,182	S\$18,060,436
% growth	6.9%	2.3%	NA	NA	NA	

As a result of the above, the Group's profit before tax increased by 7.5% to S\$6.1 million in 2Q22 from S\$5.7 million in 2Q21.

With the higher profit before tax, income tax expense increased by 26.2% to S\$1.6 million in 2Q22 from S\$1.2 million in 2Q21 accordingly. The tax expense included a provision of S\$378k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries. The Group's effective tax rate increased from 21.7% in 2Q21 to 25.4% in 2Q22 due mainly to a loss registered at our USA subsidiary of S\$46k in 2Q22 as compared to profit of S\$464k in 2Q21.

After deducting income tax expense, the Group's net profit increased by 2.3% yoy to S\$4.6 million in 2Q22 from S\$4.5 million in 2Q21.

For 1H22, the Group's net profit increased 4.6% to S\$9.5 million from S\$9.1 million in 1H21. Net profit margin decreased to 23.3% in 1H22 as compared to 24.7% in 1H21.

Correspondingly, the Group's earnings per share increased to 6.85 cents in 1H22 from 6.55 cents in 1H21.

Balance Sheet

The Group remains in a sound financial position. As at 31 December 2021, it had a balance sheet with total assets of S\$70.4 million, shareholders' equity of S\$56.6 million, cash and cash equivalents of S\$18.3 million and no bank borrowings.

Long Term Assets

As at 31 December 2021, non-current assets decreased marginally to S\$31.5 million as compared to S\$33.0 million as at 30 June 2021.

Trade Receivables

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2022	S\$13,954,251	\$14,046,375	NA	NA
	≥ 90 days	0.4%	0.02%		
	Write-off	-	-		
	FY2021	S\$12,102,795	S\$12,044,570	S\$12,574,162	S\$12,867,220
	≥ 90 days	0.09%	0.03%	0.12%	0.00%
	Write-off	-	-	-	-

Total trade receivables as at 31 December 2021 increased to S\$14.0 million from S\$12.9 million as at 30 June 2021 in line with the higher revenue registered in 1H22. Of this, S\$3,338 was outstanding for 90 days or more (zero at end of 30 June 2021). There was no bad debt expense recognised during 1H22 and 1H21.

Trade & Other Payables

As at 31 December 2021, our trade payables totaled S\$1.3 million with S\$7,572 outstanding for 30 days or more. Non-trade payables totaled S\$1.0 million. Accrued expenses decreased to S\$5.4 million from S\$5.8 million as at 30 June 2021.

Long term liabilities

As at 31 December 2021, the deferred tax liabilities was S\$1.5 million as compared to S\$1.4 million as at 30 June 2021.

Inventory

Our inventory of S\$5.8 million as at 31 December 2021 (S\$5.2 million at end of FY2021) was 7.1% of annualised sales (7.1% at end of FY2021). Inventory written off in 2Q22 totaled S\$49k, as compared to S\$42k in 2Q21.

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2022	S\$304,933	\$1,110,231	NA	NA	NA
	% of sales					
	FY2021	S\$2,274,736	S\$2,975,450	S\$407,454	S\$1,121,849	S\$6,779,489
	% of sales					9.2%

The Group's capital expenditure in 1H22 amounted to S\$1.4 million which included approximately S\$0.8 million incurred for the acquisition of new machines and accessories for all our factories, S\$0.2 million of electrical installation expenses, as well as S\$0.2 million for the purchase of computers and IT software. We expect to incur capital expenditure of S\$6 million in FY2022.

Cash Flow Analysis

The Group generated net cash from operations of S\$6.3 million in 2Q22 (S\$8.6 million in 2Q21). After deducting net cash used for investing activities of S\$1.1million and net cash used for financing activities of S\$11.4 million, we ended 2Q22 with cash and cash equivalents of S\$18.3 million, which includes 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.

During the past two years, the COVID-19 pandemic has presented a number of significant challenges to the Group. Nevertheless, we managed to keep all our worldwide factories operating without a major hiccup during 1H22, thanks largely to the diligent efforts by our people to be flexible, observe the Group's safety protocols and take into consideration the health of their colleagues.

Towards the end of 1Q22, our plant in China ("MMSU") was unable to operate for several days due to electricity rationing by the local provider. Although MMSU did not experience any power-related stoppages during 2Q22, we continue to be concerned that volatility in the energy markets could result in power cutbacks that might affect MMSU during the coming months. As several of our customers in China were also affected by the same electricity issues, the situation remains fluid, unclear and a matter of concern for the Group.

During 1H22, our factory in the USA ("MMUS") had difficulty obtaining on a timely basis some of the basic materials required for our production operations, such as aluminium and steel. Together with rapidly rising prices for such materials and manpower shortages that affected the timely delivery from some of the suppliers that we depend on for direct processes such as cleaning and testing, the sales and results of MMUS in 1H22 were lower than we anticipated. Even though MMUS received a record number of new orders during this period, we are concerned that the growing possibility of a worsening supply-chain situation in the coming months could continue to affect its operations and performance.

Together with a host of economic and political concerns that go beyond the COVID-19 pandemic, ranging from trade friction between the USA and China, spiking energy costs and rapidly rising costs for materials, shipping and labour, we expect the operating landscape to be challenging in the second half of FY2022. While there is plenty to worry about, the Group has to-date not witnessed any significant impact on our financial results from the aforesaid factors. We will keep shareholders updated if there are material developments that could affect the Group's performance.

In spite of all these challenges, the Group performed well in 2Q22. The Group's quarterly revenue increased by 8.7% to S\$20.4 million while profit before tax rose 7.5% to S\$6.1 million in 2Q22. After deducting taxes of S\$1.6 million (S\$1.2 million in 2Q21), the Group's profit after tax increased by 2.3% to S\$4.6 million in 2Q22. Based on the Groups 1H22 net income of S\$9.5 million the Group achieved an annualized ROE of around 33.7% (32.0% for 1H21).

Although dealing with the repercussions of a global pandemic is something new for the Group, we have always been mindful of the need to build an organization that is flexible and resilient. In many ways, the challenges facing the Group are helping us to accelerate changes and innovations, and strengthen our focus on a handful of key initiatives which we believe, in the long term, will make us a stronger competitor in the industry. These include:

- *Maintaining a Healthy Gross Profit Margin* – Having a strong focus on customers and the value we bring to their business is a key objective. This means working diligently to understand and meet the requirements of our customers by delivering *Perfect Parts and Tools, On-Time, Every Time*. As the semiconductor industry develops new equipment and processes for manufacturing chips with device geometries below 10 nanometres, our customers will increasingly require parts and tools manufactured using improved materials and processes that eliminate defects and variability. In the future, we think there may only be a handful of suppliers capable of meeting these stringent requirements and our goal is to become a leading *Next Generation Supplier*. We believe that our strong customer focus and the great work by our people should enable the Group to maintain a healthy GP margin. Although we saw double-digit price increases for many of our raw materials and also significantly raised the wages for our people as part of our yearly review process, our GP margin in 2Q22 was steady at 53.3% compared to 53.9% in the same quarter a year ago. We plan to continue working to improve this key measure of our focus on the customer, strength in the marketplace and the value our work creates.

- *Automating Our Operations* – Because a single defect can cause disastrous consequences in the precision manufacturing process of semiconductors, our customers need the parts and tools used in their critical processes to be flawless. At the end of 2Q22, we employed 519 great people which is slightly lower compared to 523 people at the end of 2Q21. We have also experienced increasing difficulty to hire people especially for shop-floor positions. Although we understand our annualized attrition rate of less than 10% is better than other companies in our industry, it is challenging to keep up with a growing market and customer demands in a tight labour situation which is further exacerbated by higher COVID-related absenteeism. As a result, the Group intends to continue working to automate our operations around processes that are repeatable, scalable and cost-effective. This automation also extends to digitalizing our workflows for efficiency and mobility. During 2Q22, we spent S\$1.1 million primarily for new equipment (S\$3.0 million in 2Q21), bringing our total capital expenditure for 1H22 to S\$1.4 million. During FY2022, we expect to spend about S\$6 million on new equipment.
- *Growing Without Debt and Rewarding Our Shareholders* – Building a great manufacturing business without debt helps to foster a culture of resourcefulness, discipline and careful decision making. In addition, we would like to attract shareholders who share our approach to long-term investing. Hence, one of the Group's key goals is to continue growing without taking on debt while building a track record for consistently rewarding shareholders.
 - During 2Q22, we generated S\$6.3 million in net cash from operating activities (S\$8.6 million in 2Q21). After net investing activities of S\$1.1 million and the distribution of S\$11.1 million in dividends, the Group ended the quarter in a strong financial position with S\$18.3 million in cash (including S\$0.2 million held as security deposits) and no bank borrowings.
 - Since our listing we have also maintained a consistent practice of rewarding shareholders for their continuous support of Micro-Mechanics. During 2Q22 we distributed a final dividend of 6 cents and a special dividend of 2 cents per ordinary share, bringing the total dividend payment for FY2021 to 14 cents per ordinary share. For FY2022, the Board has approved an interim dividend of 6 cents per ordinary share (6 cents for 1H21) payable to shareholders on 22 February 2022. In addition to reflecting our confidence in the Group's long-term prospects, we hope this dividend will also benefit our shareholders during a difficult and unprecedented period.
 - Including the interim dividend for FY2022, we will have distributed total dividends of 105.9 cents per share since 2003. Based on dividends alone, this translates into a return of about 575% for shareholders who bought Micro-Mechanics shares at our Initial Public Offer.
- *Excelling in Transparency and Governance* – Lastly, we would like to excel at the development and practice of transparency and good governance. Indeed, providing accurate and meaningful information on a timely basis is the foundation for sound decision making, not just for investors, but for everyone at Micro-Mechanics from the board room to the shop floor. After being ranked highly again in the Singapore Governance and Transparency Index (SGTI) released on 4 August 2021 at 15th out of 519 companies listed on the Singapore Exchange, we were delighted to receive the *Corporate Excellence and Resilience Award* (for companies with market capitalisation of S\$300 million to less than S\$1 billion) at the Singapore Corporate Awards held on 17 November 2021. Since our listing in 2003, the Group has received recognition more than 30 times for our efforts to practice good corporate governance, transparency and investor relations.

F5. Dividend Information

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Yes. The Board of Directors are pleased to declare a tax exempt one-tier interim dividend of 6 cents per ordinary share (31 December 2020: tax exempt one-tier interim dividend of 6 cents per ordinary share) in respect of the half year ended 31 December 2021.

(b) Corresponding Period of the Immediate Preceding Financial Year

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

Yes. An interim dividend of 6 cents per ordinary share (one tier tax-exempt) was declared in respect of FY2021.

(c) The date dividend is payable

The dividend payment will be made on 22 February 2022.

(d) Record date for dividend payment

Notice is hereby given that the Share Transfer Books and Register of Members of Micro-Mechanics (Holdings) Ltd. (the “Company”) will be closed for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company’s Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 up to 5:00 p.m. on 10 February 2022 will be registered to determine shareholders’ entitlements to the said dividend.

Members whose Securities Accounts with the Central Depository (Pte) Limited are credited with shares at 5:00 p.m. on 10 February 2022 will be entitled to the proposed dividend payable on 22 February 2022.

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

Not applicable.

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 half year ended 31 December 2021, the Group has made rental payment of US\$210,000 (31 December 2020: US\$198,000) and electrical services payment of US\$73,609 (31 December 2020: US\$63,100) 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 December 2021 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHOW KAM WING
Company Secretary
28 January 2022