

MICRO-MECHANICS (HOLDINGS) LTD

**Condensed Interim Financial Statements
For Fourth Quarter and Financial Year Ended
30 June 2023**

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	Group					
		Q4			Year-to-date		
		Apr to Jun 2023 S\$	Apr to Jun 2022 S\$	Change	Group FY2023 S\$	Group FY2022 S\$	Change
Revenue	E4	15,195,482	21,969,646	(30.8%)	67,021,993	82,464,765	(18.7%)
Cost of sales		(8,395,547)	(10,642,775)	(21.1%)	(35,832,351)	(38,423,964)	(6.7%)
Gross profit		6,799,935	11,326,871	(40.0%)	31,189,642	44,040,801	(29.2%)
Other income	E5	156,005	467,344	(66.6%)	685,067	861,985	(20.5%)
Distribution costs		(763,683)	(770,198)	(0.8%)	(2,879,823)	(3,144,905)	(8.4%)
Administrative expenses		(2,197,854)	(2,427,264)	(9.5%)	(10,200,660)	(10,918,337)	(6.6%)
Other operating expenses		(1,127,450)	(1,177,614)	(4.3%)	(5,165,430)	(4,685,944)	10.2%
Profit from operations		2,866,953	7,419,139	(61.4%)	13,628,796	26,153,600	(47.9%)
Finance costs		-	-		-	-	
Profit before income tax	E5	2,866,953	7,419,139	(61.4%)	13,628,796	26,153,600	(47.9%)
Income tax expense	E6	(875,607)	(1,554,454)	(43.7%)	(3,858,316)	(6,347,049)	(39.2%)
Profit after tax		1,991,346	5,864,685	(66.0%)	9,770,480	19,806,551	(50.7%)
Non-controlling interests		-	-		-	-	
Profit for the period/year		1,991,346	5,864,685	(66.0%)	9,770,480	19,806,551	(50.7%)
Profit for the period/year		1,991,346	5,864,685	(66.0%)	9,770,480	19,806,551	(50.7%)
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		(421,362)	(355,146)	18.6%	(2,150,256)	(125,313)	1615.9%
Item that will not be reclassified to profit or loss:							
Remeasurement (expense)/ income on retirement benefits		(19,220)	126,549	(115.2%)	(19,220)	126,549	(115.2%)
Related tax		622	(4,138)	(115.0%)	622	(4,138)	(115.0%)
Total comprehensive income for the period/year		1,551,386	5,631,950	(72.5%)	7,601,626	19,803,649	(61.6%)
Earnings per share:	E7						
Basic (SGD in cent)		1.43	4.22	(66.1%)	7.03	14.25	(50.7%)
Diluted (SGD in cent)		1.43	4.22	(66.1%)	7.03	14.25	(50.7%)

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group 30 Jun 23 S\$	Group 30 Jun 22 S\$	Company 30 Jun 23 S\$	Company 30 Jun 22 S\$
Non-current assets					
Property, plant and equipment	E9	25,445,458	28,607,303	-	-
Right-of-use assets		2,119,176	1,545,399	-	-
Investment property	E10	280,958	320,749	-	-
Subsidiaries		-	-	29,095,544	29,095,544
Trade and other receivables	E11	488,744	759,841	-	-
Deferred tax asset		22,072	26,405	-	-
		28,356,408	31,259,697	29,095,544	29,095,544
Current assets					
Inventories		4,323,055	5,697,010	-	-
Trade and other receivables	E11	11,244,667	16,366,632	1,546,791	1,737,965
Cash and cash equivalents		14,266,863	20,368,243	2,326,039	8,710,763
		29,834,585	42,431,885	3,872,830	10,448,728
Total assets		58,190,993	73,691,582	32,968,374	39,544,272
Shareholders' equity					
Share capital	E12	14,782,931	14,782,931	14,782,931	14,782,931
Reserves		(1,996,348)	172,506	-	-
Accumulated profits		33,655,467	43,349,450	17,467,364	24,020,106
		46,442,050	58,304,887	32,250,295	38,803,037
Non-current liabilities					
Deferred tax liabilities		1,591,500	1,483,035	206,203	227,815
Trade and other payables	E13	1,040,675	755,544	-	-
Lease liabilities		1,012,723	657,932	-	-
		3,644,898	2,896,511	206,203	227,815
Current liabilities					
Trade and other payables	E13	5,908,553	8,867,019	509,459	513,420
Lease liabilities		1,183,468	951,533	-	-
Current tax payable		1,012,024	2,671,632	2,417	-
		8,104,045	12,490,184	511,876	513,420
Total liabilities		11,748,943	15,386,695	718,079	741,235
Total equity and liabilities		58,190,993	73,691,582	32,968,374	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\$
The Group					
As at 1 July 2021	14,782,931	272,054	(96,646)	43,007,362	57,965,701
Total comprehensive income for the year:					
Profit for the year	-	-	-	19,806,551	19,806,551
Other comprehensive income:					
Foreign currency translation differences, net of tax	-	(127,507)	2,194	-	(125,313)
Remeasurement income on retirement benefits, net of tax	-	-	122,411	-	122,411
Total comprehensive income for the year	-	(127,507)	124,605	19,806,551	19,803,649
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	-	-	-	(11,122,550)	(11,122,550)
Interim dividend of 6.0 cents per share (one-tier tax exempt) in respect of FY2022	-	-	-	(8,341,913)	(8,341,913)
Total transactions with owners, recorded directly in equity	-	-	-	(19,464,463)	(19,464,463)
As at 30 June 2022	14,782,931	144,547	27,959	43,349,450	58,304,887
As at 1 July 2022	14,782,931	144,547	27,959	43,349,450	58,304,887
Total comprehensive income for the year:					
Profit for the year	-	-	-	9,770,480	9,770,480
Other comprehensive income:					
Foreign currency translation differences, net of tax	-	(2,149,301)	(955)	-	(2,150,256)
Remeasurement expense on retirement benefits, net of tax	-	-	(18,598)	-	(18,598)
Total comprehensive income for the year	-	(2,149,301)	(19,553)	9,770,480	7,601,626
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 FY2022	-	-	-	(11,122,550)	(11,122,550)
Interim dividend of 6.0 cents per share (one-tier tax exempt) in respect of FY2023	-	-	-	(8,341,913)	(8,341,913)
Total transactions with owners, recorded directly in equity	-	-	-	(19,464,463)	(19,464,463)
As at 30 June 2023	14,782,931	(2,004,754)	8,406	33,655,467	46,442,050

MICRO-MECHANICS (HOLDINGS) LTD

Condensed Interim Financial Statements for Fourth Quarter and Financial Year Ended 30 June 2023

	Share Capital S\$	Foreign Currency Translation Reserve S\$	Accumulated Profits S\$	Total S\$
The Company				
As at 1 July 2021	14,782,931	-	26,161,805	40,944,736
Total comprehensive income for the year:				
Net profit for the year	-	-	17,322,764	17,322,764
Total comprehensive income for the year	-	-	17,322,764	17,322,764
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	-	-	(11,122,550)	(11,122,550)
Interim dividend of 6.0 cents per share (one-tier tax exempt) in respect of FY2022	-	-	(8,341,913)	(8,341,913)
Total transactions with owners, recorded directly in equity	-	-	(19,464,463)	(19,464,463)
As at 30 June 2022	14,782,931	-	24,020,106	38,803,037
As at 1 July 2022	14,782,931	-	24,020,106	38,803,037
Total comprehensive income for the year:				
Net profit for the year	-	-	12,911,721	12,911,721
Total comprehensive income for the year	-	-	12,911,721	12,911,721
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 FY2022	-	-	(11,122,550)	(11,122,550)
Interim dividend of 6.0 cents per share (one-tier tax exempt) in respect of FY2023	-	-	(8,341,913)	(8,341,913)
Total transactions with owners, recorded directly in equity	-	-	(19,464,463)	(19,464,463)
As at 30 June 2023	14,782,931	-	17,467,364	32,250,295

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASHFLOW FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Group FY2023 S\$	Group FY2022 S\$
Cash flows from operating activities		
Profit for the year	9,770,480	19,806,551
Adjustments for:		
Depreciation of property, plant and equipment	6,704,279	7,106,942
Depreciation of investment property	13,785	14,031
Property, plant and equipment written off	14,908	11,102
Gain on disposal of property, plant and equipment	(74,832)	(251,525)
Interest income	(169,325)	(68,210)
Interest expense on lease liabilities	95,866	90,948
Tax expense	3,858,316	6,347,049
Operating profit before changes in working capital	20,213,477	33,056,888
Inventories	1,057,156	(515,496)
Trade and other receivables	4,545,302	(3,199,774)
Trade and other payables	(2,852,478)	1,150,666
Cash generated from operations	22,963,457	30,492,284
Income tax paid	(5,263,679)	(5,269,943)
Net cash from operating activities	17,699,778	25,222,341
Cash flows from investing activities		
Payment of property, plant and equipment	(3,335,905)	(4,905,044)
Proceeds from disposal of property, plant and equipment	754,125	333,013
Interest received	157,977	57,023
Net cash used in investing activities	(2,423,803)	(4,515,008)
Cash flows from financing activities		
Lease paid	(1,311,960)	(1,287,061)
Dividends paid	(19,464,463)	(19,464,463)
Net cash used in financing activities	(20,776,423)	(20,751,524)
Net decrease in cash and cash equivalents	(5,500,448)	(44,191)
Cash and cash equivalents at beginning of year	20,210,293	20,449,978
Effect of exchange rate fluctuations	(587,832)	(195,494)
Cash and cash equivalents at the end of year	14,122,013	20,210,293

Note:

(i) Cash and cash equivalent is derived from:

	Group 30 Jun 23 S\$	Group 30 Jun 22 S\$
Cash and cash equivalent balances	14,266,863	20,368,243
Less: Pledged cash placed with bank	(144,850)	(157,950)
	14,122,013	20,210,293

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 fourth quarter and full year ended 30 June 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:

- Amendment to SFRS(I) 16: *COVID-19-Related Rent Concessions beyond 30 June 2021*
- Amendment to SFRS(I) 3 : *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to SFRS(I)s 2018-2020

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 or cyclical factors during the financial year.

E4 Revenue

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

Geographical Market

Country	Group									
	4Q23		4Q22		% change	FY2023		FY2022		% change
	S\$	%	S\$	%		S\$	%	S\$	%	
Singapore	1,509,396	9.9%	2,624,288	11.9%	(42.5%)	8,080,268	12.1%	7,729,981	9.4%	4.5%
Malaysia	2,174,612	14.3%	3,085,700	14.0%	(29.5%)	9,578,082	14.3%	12,713,066	15.4%	(24.7%)
Philippines	1,139,809	7.5%	1,213,671	5.5%	(6.1%)	5,014,877	7.5%	5,344,110	6.5%	(6.2%)
Thailand	284,771	1.9%	463,217	2.1%	(38.5%)	1,184,076	1.8%	1,474,953	1.8%	(19.7%)
China	4,369,918	28.8%	6,379,110	29.1%	(31.5%)	18,520,241	27.6%	27,588,734	33.4%	(32.9%)
USA	3,810,037	25.1%	5,557,943	25.4%	(31.4%)	17,106,063	25.5%	17,613,885	21.4%	(2.9%)
Europe	713,029	4.7%	943,293	4.3%	(24.4%)	3,056,788	4.6%	3,073,171	3.7%	(0.5%)
Japan	197,788	1.3%	268,735	1.2%	(26.4%)	835,669	1.2%	1,153,592	1.4%	(27.6%)
Taiwan	917,883	6.0%	1,193,849	5.4%	(23.1%)	3,108,834	4.6%	4,676,849	5.7%	(33.5%)
Rest of world	78,239	0.5%	239,840	1.1%	(67.4%)	537,095	0.8%	1,096,424	1.3%	(51.0%)
Total	15,195,482	100%	21,969,646	100%	(30.8%)	67,021,993	100%	82,464,765	100%	(18.7%)

A breakdown of sales and operating profit after tax

	Group FY2023	Group FY2022	Decrease
	S\$	S\$	
Sales reported for first half year	36,914,435	40,832,781	(9.6%)
Operating profit after tax before deducting non-controlling interest reported for first half year	6,143,648	9,527,355	(35.5%)
Sales reported for second half year	30,107,558	41,631,984	(27.7%)
Operating profit after tax before deducting non-controlling interest reported for second half year	3,626,832	10,279,196	(64.7%)

E5 Profit before income tax

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

Income:

	Q4			Year-to-date		
	Apr to Jun 2023	Apr to Jun 2022	Change	Group FY2023	Group FY2022	Change
	S\$	S\$		S\$	S\$	
Gain on disposal of property, plant and equipment	10,915	257,442	(95.8%)	74,832	251,525	(70.2%)
Interest income from banks and others	44,849	33,181	35.2%	169,325	68,210	148.2%
Rental income	31,879	29,818	6.9%	129,847	121,464	6.9%
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	4,478	4,056	10.4%	53,065	76,774	(30.9%)
Exchange gain	14,067	77,727	(81.9%)	-	57,018	(100.0%)
Others	49,817	65,120	(23.5%)	257,998	286,994	(10.1%)

Expenses:

	Q4			Year-to-date		
	Apr to Jun 2023 S\$	Apr to Jun 2022 S\$	Change	Group FY2023 S\$	Group FY2022 S\$	Change
Trade receivables written off	-	-	-	141	-	n.m.
Depreciation of						
- property, plant and equipment	1,353,224	1,503,607	(10.0%)	5,473,156	5,878,009	(6.9%)
- investment property	3,347	3,828	(12.6%)	13,785	14,031	(1.8%)
- right-of-use assets	313,456	310,531	0.9%	1,231,123	1,228,933	0.2%
Inventories written off	19,933	26,695	(25.3%)	75,843	141,135	(46.3%)
Interest expense on lease liabilities	29,756	18,644	59.6%	95,866	90,948	5.4%
Exchange loss	-	-	-	130,684	-	n.m.
Property, plant and equipment written off	14,847	1,434	935.4%	14,908	11,102	34.3%

n.m. – not meaningful

E6 Income tax expense

	Q4		Year-to-date	
	Apr to Jun 2023 S\$	Apr to Jun 2022 S\$	Group FY2023 S\$	Group FY2022 S\$
Tax charge				
Current period/year	1,183,522	1,983,366	3,756,329	6,232,475
Over provision in prior years	(26,115)	(11,265)	(50,080)	(20,365)
	1,157,407	1,972,101	3,706,249	6,212,110
Deferred tax				
Origination and reversal of temporary differences	(273,236)	(417,500)	160,020	110,020
Under/(over) provision in prior years	(8,564)	(147)	(7,953)	24,919
	(281,800)	(417,647)	152,067	134,939
Total tax expense	875,607	1,554,454	3,858,316	6,347,049

E7 Earnings per share

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

	Q4		Year-to-date	
	Apr to Jun 2023 S\$	Apr to Jun 2022 S\$	Group FY2023 S\$	Group FY2022 S\$
Profit for the period/year	1,991,346	5,864,685	9,770,480	19,806,551
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	139,031,881	139,031,881	139,031,881	139,031,881
Basic earnings per share (cents)	1.43	4.22	7.03	14.25

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 financial year.

E8 Net Asset Value

	Group 30 Jun 23	Group 30 Jun 22	Company 30 Jun 23	Company 30 Jun 22
Net Asset Value per ordinary share (cents)	33.40	41.94	23.20	27.91

The net asset value per ordinary share is calculated based on net assets of S\$46.4 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 year reported on/immediately preceding financial year.

E9 Property, plant and equipment

During the financial year ended 30 June 2023, the Group acquired S\$3,955,606 (30 June 2022: S\$4,905,044) of property, plant and equipment. The amount of property, plant and equipment disposed of during the financial year ended 30 June 2023 was S\$694,201 (30 June 2022: S\$92,590).

E10 Investment Property

	Group 30 Jun 23 S\$	Group 30 Jun 22 S\$
<i>Cost</i>		
Beginning of financial year	828,719	617,158
Transfer	-	219,254
Additions	-	11,954
Disposal	-	(1,071)
Translation difference on consolidation	(68,733)	(18,576)
End of financial year	759,986	828,719
<i>Accumulated depreciation and impairment losses</i>		
Beginning of financial year	507,970	286,505
Transfer	-	219,247
Depreciation charge for the year	13,785	14,031
Disposal	-	(1,071)
Translation difference on consolidation	(42,727)	(10,742)
End of financial year	479,028	507,970
<i>Carrying amount</i>		
End of financial year	280,958	320,749
The fair value of the investment property	2,897,000	3,159,000

The property is an industrial building located in Malaysia. The fair value of the investment property as at 30 June 2023 was S\$2,897,000 (30 June 2022: \$3,159,000). The fair value of investment property was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair value of the Group's investment property annually.

E11 Trade and other receivables

	Group 30 Jun 23 S\$	Group 30 Jun 22 S\$	Company 30 Jun 23 S\$	Company 30 Jun 22 S\$
Trade receivables	10,643,097	15,613,437	–	–
Other receivables	19,764	51,263	–	641
Deposits	409,694	404,295	–	–
Amount owing by a subsidiary (non-trade)	–	–	1,533,843	1,724,349
Financial assets at amortised cost	11,072,555	16,068,995	1,533,843	1,724,990
Advances to suppliers	107,228	385,113	–	–
Prepayments	505,126	672,093	12,948	12,975
GST receivables	44,102	–	–	–
Forward exchange contracts	4,400	272	–	–
Trade and other receivables	11,733,411	17,126,473	1,546,791	1,737,965
Non-current	488,744	759,841	–	–
Current	11,244,667	16,366,632	1,546,791	1,737,965
	11,733,411	17,126,473	1,546,791	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 30 June 2023. The amount of S\$488,744 classed 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 as at 30 June 2023 were as follows:

	Group 30 Jun 23 S\$	Group 30 Jun 22 S\$	Company 30 Jun 23 S\$	Company 30 Jun 22 S\$
Current	8,425,602	12,733,694	1,395,320	1,589,617
Past due 1-30 days	1,810,298	2,443,286	–	–
Past due 31-60 days	287,123	398,000	–	–
Past due 61-90 days	65,779	86,111	–	–
More than 90 days	74,059	3,609	138,523	135,373
	10,662,861	15,664,700	1,533,843	1,724,990

During the financial year ended 30 June 2023, the Group registered bad debts written off amounted to S\$141 (30 June 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 30 June 2023.

E12 Share Capital

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

There was no change in the issued and paid-up capital of the Company.

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

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

E13 Trade and other payables

	Group 30 Jun 23 S\$	Group 30 Jun 22 S\$	Company 30 Jun 23 S\$	Company 30 Jun 22 S\$
Trade payables	726,583	1,546,960	–	–
Other payables	1,442,220	1,595,642	31,182	30,205
Accrued expenses	4,181,771	5,883,947	478,277	483,215
Advances from customers	75,661	132,582	–	–
Forward exchange contracts	38,595	41,234	–	–
Provision for retirement benefits	484,398	422,198	–	–
	6,949,228	9,622,563	509,459	513,420
Non-current	1,040,675	755,544	–	–
Current	5,908,553	8,867,019	509,459	513,420
	6,949,228	9,622,563	509,459	513,420

E14 Borrowings

The Group does not have any bank borrowings for the financial year ended 30 June 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:

	Financial assets at amortised cost S\$	Designated at fair value S\$	Other financial liabilities S\$	Total carrying amount S\$	Fair value S\$
Group					
30 June 2023					
Trade and other receivables*	11,072,555	–	–	11,072,555	
Forward exchange contracts - assets	–	4,400	–	4,400	4,400
Cash and cash equivalents	14,266,863	–	–	14,266,863	
	<u>25,339,418</u>	<u>4,400</u>	<u>–</u>	<u>25,343,818</u>	
Trade and other payables**	–	–	(2,825,108)	(2,825,108)	
Forward exchange contracts - liability	–	(38,595)	–	(38,595)	(38,595)
	<u>–</u>	<u>(38,595)</u>	<u>(2,825,108)</u>	<u>(2,863,703)</u>	

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	Financial assets at amortised cost S\$	Designated at fair value S\$	Other financial liabilities S\$	Total carrying amount S\$	Fair value S\$
Group					
30 June 2022					
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>	
Company					
30 June 2023					
Trade and other receivables*	1,533,843	–	–	1,533,843	
Cash and cash equivalents	2,326,039	–	–	2,326,039	
	<u>3,859,882</u>	<u>–</u>	<u>–</u>	<u>3,859,882</u>	
Trade and other payables**	–	–	(509,459)	(509,459)	
30 June 2022					
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, GST receivables and forward exchange contracts.

** Excluding advances from customers, forward exchange contracts, provision for retirement benefits and provision for reinstatement costs, payroll related accruals and withholding tax payables.

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\$
Group		
30 June 2023		
Forward exchange contracts – asset	4,400	4,400
Forward exchange contracts – liability	<u>(38,595)</u>	<u>(38,595)</u>
30 June 2022		
Forward exchange contracts – asset	272	272
Forward exchange contracts – liability	<u>(41,234)</u>	<u>(41,234)</u>

E16 Segment reporting

Operating Segments

FY2023

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Total revenue from external customers	14,943,595	10,502,604	5,205,755	18,468,037	17,902,002	-	67,021,993
Inter-segment revenue	5,278,900	1,339,690	383,547	3,895	-	(7,006,032)	-
Total revenue	20,222,495	11,842,294	5,589,302	18,471,932	17,902,002	(7,006,032)	67,021,993
Segment result	3,302,512	4,726,129	1,627,026	(1,478,196)	6,213,060	(17,422)	14,373,109
Unallocated expenses							(744,313)
Profit from operations							13,628,796
Income tax expense							(3,858,316)
Net profit for the year							9,770,480
Segment assets	17,209,802	10,593,263	3,036,710	13,102,224	12,384,413	(474,407)	55,852,005
Unallocated assets:							
Others							2,338,988
Total assets							58,190,993
Segment liabilities	3,539,037	657,222	1,189,762	1,370,117	1,879,821	-	8,635,959
Unallocated liabilities:							
Income tax	1,505,196	510,118	28,014	-	351,576	208,620	2,603,524
Others							509,460
Total liabilities							11,748,943
Other segment information:							
Capital expenditure	1,651,240	1,061,532	360,959	684,062	303,272	(105,459)	3,955,606
Depreciation	2,297,863	728,739	500,494	2,223,061	987,573	(19,666)	6,718,064
Non-current assets	11,027,703	4,453,909	1,745,751	7,391,724	3,836,206	(98,885)	28,356,408

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\$
FY2023						
Revenue	2,139,841	2,743,510	3,967,263	17,135,180	2,800,914	28,786,708
Number of customers	1	2	4	4	1	12

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Operating Segments

FY2022

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Total revenue from external customers	18,909,324	13,833,004	5,604,159	17,592,626	26,525,652	-	82,464,765
Inter-segment revenue	7,023,154	1,558,254	685,102	208	-	(9,266,718)	-
Total revenue	25,932,478	15,391,258	6,289,261	17,592,834	26,525,652	(9,266,718)	82,464,765
Segment result	6,810,508	6,893,602	2,088,344	(60,543)	11,063,384	101,632	26,896,927
Unallocated expenses							(743,327)
Profit from operations							26,153,600
Income tax expense							(6,347,049)
Net profit for the year							19,806,551
Segment assets	17,434,008	12,941,821	3,480,164	16,130,261	15,437,934	(456,986)	64,967,202
Unallocated assets							-
Others							8,724,380
Total assets							73,691,582
Segment liabilities	3,505,629	911,808	1,260,046	2,602,986	2,438,138	-	10,718,607
Unallocated liabilities							
Income tax	1,878,733	717,172	36,584	-	1,294,364	-	3,926,853
Others							741,235
Total liabilities							15,386,695
Other segment information:							
Capital expenditure	1,654,126	822,534	566,312	480,895	1,382,006	(829)	4,905,044
Depreciation	2,246,311	784,858	519,006	2,536,650	1,059,383	(25,235)	7,120,973
Non-current assets	11,378,738	4,631,370	1,933,835	9,138,775	4,190,071	(13,092)	31,259,697

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\$
FY2022						
Revenue	-	3,044,575	4,084,827	13,721,536	4,058,874	24,909,812
Number of customers	-	2	4	4	1	11

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 30 June 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 12 months from 1 July 2022 to 30 June 2023 totaled US\$511.1 billion, a decline of 14.8% compared to US\$600.2 billion in the same 12-month period a year ago. WSTS data also showed that while global chip sales of US\$124.5 billion in the second quarter of 2023 was 17.3% lower than the second quarter of 2022, it registered an increase of 4.7% over the first quarter of 2023.

The Semiconductor Association (SIA) said that although global semiconductor monthly sales in 2023 have been lower year-on-year compared to 2022, month-on-month sales have ticked up in June for the fourth consecutive month. The SIA also said the solid quarter-over-quarter increase is providing optimism the market will continue to rebound over the second half of the year.

In its latest market forecast released on 6 June 2023, the WSTS has adjusted its projection for global chip sales to decrease 10.3% to US\$515 billion in 2023 in response to increasing inflation and weakening demand in end markets, particularly those relying on consumer spending.

For 2024, WSTS anticipates a robust market recovery with global chip sales forecasted to surge 11.8% to US\$576 billion. It expects this expansion to be driven primarily by a 40% increase in the Memory segment while other key categories, including Discrete, Sensors, Analog, Logic, and Micro, are projected to exhibit single-digit growth.

Group Revenue

REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2023	S\$20,193,798	S\$16,720,637	S\$14,912,076	S\$15,195,482	S\$67,021,993
	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%)	(30.8%)	(18.7%)	

For the 12 months ended 30 June 2023 (FY2023), the Group's revenue decreased 18.7% to S\$67.0 million from S\$82.5 million in FY2022. This reflected the cyclical slowdown in the global semiconductor industry amid softening demand and higher chip inventories.

For the three months ended 30 June 2023 (4Q23), revenue decreased 30.8% year-on-year (yoy) to S\$15.2 million from S\$22.0 million in 4Q22, as the Group witnessed a broad-based decline in sales across our geographical markets during 4Q23. On a quarter-on-quarter basis however, Group revenue picked up slightly in 4Q23 compared to S\$14.9 million in 3Q23.

Revenue breakdown by Geographical Market

Country	Group										
	3Q23 S\$ m	4Q23		4Q22		% change	FY2023		FY2022		% change
	S\$ m	S\$ m	%	S\$ m	%		S\$ m	%	S\$ m	%	
Singapore	1.6	1.5	9.9%	2.6	11.9%	(42.5%)	8.1	12.1%	7.7	9.4%	4.5%
Malaysia	2.1	2.2	14.3%	3.1	14.0%	(29.5%)	9.6	14.3%	12.7	15.4%	(24.7%)
Philippines	1.2	1.1	7.5%	1.2	5.5%	(6.1%)	5.0	7.5%	5.3	6.5%	(6.2%)
Thailand	0.2	0.3	1.9%	0.5	2.1%	(38.5%)	1.2	1.8%	1.5	1.8%	(19.7%)
China	4.2	4.4	28.8%	6.4	29.1%	(31.5%)	18.5	27.6%	27.6	33.4%	(32.9%)
USA	3.9	3.8	25.1%	5.6	25.4%	(31.4%)	17.1	25.5%	17.6	21.4%	(2.9%)
Europe	0.8	0.7	4.7%	0.9	4.3%	(24.4%)	3.1	4.6%	3.1	3.7%	(0.5%)
Japan	0.2	0.2	1.3%	0.3	1.2%	(26.4%)	0.8	1.2%	1.2	1.4%	(27.6%)
Taiwan	0.6	0.9	6.0%	1.2	5.4%	(23.1%)	3.1	4.6%	4.7	5.7%	(33.5%)
Rest of world	0.1	0.1	0.5%	0.2	1.1%	(67.4%)	0.5	0.8%	1.1	1.3%	(51.0%)
Total	14.9	15.2	100%	22.0	100%	(30.8%)	67.0	100%	82.5	100%	(18.7%)

In line with slower industry conditions, sales in the Group's geographical markets were lower in FY2023 compared to FY2022, with the exception of the Singapore market.

In FY2023, sales in China shrank 32.9% to S\$18.5 million but remained our largest geographical market and contributed 27.6% to the Group's revenue.

Sales in the USA, which is our second largest market, decreased by 2.9% to S\$17.1 million in FY2023 and accounted for 25.5% of Group revenue.

Sales in Malaysia also declined by 24.7% to S\$9.6 million and accounted for 14.3% of Group revenue in FY2023. On the other hand, sales in Singapore edged up 4.5% to S\$8.1 million in FY2023 and contributed 12.1% to the Group's revenue.

Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2023	61%	55%	50%	50%	54%
	FY2022	61%	62%	62%	60%	61%

Our average capacity utilisation rate decreased to 54% in FY2023 as compared to 61% in FY2022 in tandem with the reduction in the Group's sales.

Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2023	51.0%	45.2%	43.8%	44.7%	46.5%
	FY2022	55.5%	53.3%	53.4%	51.6%	53.4%

The Group's GP decreased by 29.2% to S\$31.2 million in FY2023 from S\$44.0 million in FY2022. As our operating costs are mainly fixed-cost in nature, the significant decline in business activities has resulted in under-absorption of costs. Coupled with inflationary pressures, the Group's GP margin narrowed to 46.5% in FY2023, as compared to 53.4% in FY2022.

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	S\$4,651,508	S\$4,787,796	S\$4,188,560	S\$3,932,982	S\$17,560,846
	% of sales	23.0%	28.6%	28.1%	25.9%	26.2%
FY2022	S\$4,686,078	S\$4,748,667	S\$4,544,724	S\$3,907,732	S\$17,887,201	
% of sales	22.9%	23.3%	23.1%	17.8%	21.7%	

For FY2023, the Group's other income declined by 20.5% to S\$685k mainly due to the absence of foreign exchange gain and lower gain on disposal of assets.

We continue to keep a close watch on our expense structure. Distribution expenses decreased by 8.4% to S\$2.9 million in FY2023 from S\$3.1 million in FY2022. Administrative expenses decreased by 6.6% to S\$10.2 million in FY2023 from S\$10.9 million in FY2022 due to lower payment of performance incentives. On the other hand, other operating expenses increased by 10.2% to S\$5.2 million in FY2023 from S\$4.7 million in FY2022 mainly due to salary adjustments, higher utility costs and foreign exchange loss.

In aggregate, the Group's distribution, administrative and other operating expenses (net of other income) decreased by 1.8% to S\$17.6 million in FY2023 from S\$17.9 million in FY2022. However, as a percentage of sales, these overhead expenses increased to 26.2% in FY2023 from 21.7% in FY2022 as these expenses are mainly fixed in nature.

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	S\$1,991,346	S\$9,770,480
	FY2022	S\$4,969,916	S\$4,557,439	S\$4,414,511	S\$5,864,685	S\$19,806,551
% growth	(14.6%)	(58.4%)	(63.0%)	(66.0%)	(50.7%)	

As a result of the above, the Group's profit before tax decreased by 47.9% to S\$13.7 million in FY2023 from S\$26.2 million in FY2022.

After deducting income tax expense, the Group's net profit declined by 50.7% to S\$9.8 million in FY2023 from S\$19.8 million in FY2022. Accordingly, net profit margin sank to 14.6% in FY2023 from 24.0% in FY2022.

The Group's effective tax rate was 28.3% in FY2023 as compared to 24.3% in FY2022. Income tax expense decreased by 39.2% to S\$3.9 million in FY2023 from S\$6.3 million in FY2022. The tax expense in FY2023 included S\$489k of withholding tax paid and an additional provision of S\$468k for withholding tax accrued on dividends to Singapore from various overseas subsidiaries.

Correspondingly, the Group's earnings per share decreased to 7.03 cents in FY2023 from 14.25 cents in FY2022.

Dividend Payment

The Board of Directors is recommending a final dividend of 3 cents per share (one tier tax-exempt) in respect of FY2023. If approved by shareholders at the Annual General Meeting to be held on 30 October 2023, the dividend will be paid on 17 November 2023.

Together with the interim dividend of 6.0 cents per share (one tier tax-exempt) paid on 17 February 2023, the Group's total dividend for FY2023 would be 9.0 cents per share (one tier tax-exempt). The total payout for FY2023 will amount to S\$12.5 million.

Balance Sheet

The Group remains in a sound financial position. As at 30 June 2023, our balance sheet had total assets of S\$58.2 million, shareholders' equity of S\$46.4 million, cash and cash equivalents of S\$14.3 million and no bank borrowings.

Long Term Assets

As at 30 June 2023, non-current assets decreased to S\$28.4 million as compared to S\$31.3 million as at 30 June 2022 due mainly to the depreciation of property, plant and equipment.

Trade Receivables

		As at end of 1Q	As at end of 2Q	As at end of 3Q	As at end of 4Q
Trade Receivables	FY2023	S\$14,127,188	S\$11,246,346	S\$10,259,853	S\$10,643,097
	≥ 90 days	1.2%	0.2%	3.8%	0.7%
	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	-	-	-	-

Trade receivables as at 30 June 2023 decreased to S\$10.6 million from S\$15.6 million as at 30 June 2022. Of this, S\$74k was outstanding for 90 days or more (S\$4k at end of 30 June 2022). Bad debt expenses for FY2023 was immaterial (FY2022: NIL).

Trade & Other Payables

As at 30 June 2023, our trade payables totaled S\$727k with only S\$1.5k outstanding for 30 days or more. As at 30 June 2022, our trade payables totaled S\$1,547k with only S\$2.4k outstanding for 30 days or more.

Non-trade payables and accrued expenses totaled S\$1.4 million (S\$1.6 million at end of 30 June 2022) and S\$4.2 million (S\$5.9 million at end of 30 June 2022) respectively as at 30 June 2023.

Long term liabilities

As at 30 June 2023, the deferred tax liabilities was S\$1.6 million as compared to S\$1.5 million as at 30 June 2022.

Inventory

As a percentage of our sales in FY2023, the Group's inventory of S\$4.3 million as at 30 June 2023 (S\$5.7 million at end of FY2022) was 6.5% (6.9% at end of FY2022). Inventory written off in FY2023 totaled S\$76k, as compared to S\$141k in FY2022.

Capital Expenditure

Capital Expenditure		1Q	2Q	3Q	4Q	Full Year
	FY2023 % of sales	S\$714,552	S\$1,798,144	S\$426,168	S\$1,016,742	S\$3,955,606
FY2022 % of sales	S\$304,933	S\$1,110,231	S\$1,743,655	S\$1,746,225	S\$4,905,044	5.9%

The Group’s capital expenditure in FY2023 amounted to approximately S\$4.0 million. This comprised mainly S\$2.9 million of investments in new machines and accessories and S\$0.5 million for the purchase of computers and IT software for our five factories worldwide, as well as S\$0.3 million of renovation works at the USA and Singapore factories.

For FY2024, we are expecting to incur capital expenditure of S\$4 million on machinery and equipment to upgrade the production capacity and capabilities of our five factories.

Cash Flow Analysis

The Group generated net cash from operations of S\$17.7 million in FY2023 (S\$25.2 million in FY2022). After deducting net cash used in investing activities of S\$2.4 million and net cash used in financing activities of S\$20.8 million, which was mainly for the payment of dividends in respect of FY2022 and 1H23, we closed FY2023 with a cash balance of S\$14.3 million including S\$0.1 million held as security 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 first quarter of FY2023, we began to see a slowdown in market conditions for the semiconductor industry. According to WSTS, global sales of semiconductors during FY2023 declined 14.8% to \$511.1 billion from \$600.2 billion for the same 12-month period ended 30 June 2022.

Indeed, after hitting sales of S\$20.2 million in 1Q23, the Group’s revenue decreased by 17% qoq to S\$16.7 million in 2Q23 followed by another 11% qoq decline to S\$14.9 million in 3Q23. Although the Group’s revenue improved slightly to S\$15.2 million during 4Q23, full-year revenue decreased by 18.7% to S\$67.0 million in FY2023 from S\$82.5 million in FY2022.

The sudden and sharp slowdown in the industry, together with rising costs for everything from materials to manpower and energy, put significant pressure on our gross profit which declined 29.2% to S\$31.2 million during FY2023 from S\$44.0 million in the previous financial year. These factors also led to a contraction of our gross profit margin to 46.5% in FY2023 from 53.4% in FY2022. After deducting administrative, distribution and other operating expenses (net of other income) of S\$17.6 million (S\$17.9 million in FY2022), profit before tax fell 47.9% to S\$13.6 million from S\$26.2 million in FY2022. Profit before tax was also affected by an operating loss of S\$1.5 million at our plant in the USA (“MMUS”). As a result, the Group’s profit after tax declined 50.7% to S\$9.8 million in FY2023 from S\$19.8 million during FY2022.

Business Strategy / Plans

As the Group moves into FY2024, we will continue our strategy to grow our core businesses by maintaining a strong and unrelenting focus on the value we bring to our customers, while building sustainable, competitive advantages through repeatable, scalable and cost-effective manufacturing processes. In the future, we think there may only be a handful of suppliers capable of meeting the increasingly stringent requirements of the semiconductor industry. We remain focused on our goal to become a leading Next Generation Supplier of high

precision tools and parts used in process-critical applications for the wafer-fabrication and assembly processes of the semiconductor industry.

We are presently working diligently to implement a number of key initiatives designed to streamline labor-intensive work areas, better digitalise our processes and build a stronger, more flexible team of people across our five factories worldwide.

At our plant in California, we have made a strategic decision to narrow our engineering focus to four main product areas for the wafer-fabrication equipment sector in order to develop a compelling offering and competitive differentiation for MMUS. As part of this strategy, we completed various measures and a restructuring during 4Q23 that will reduce MMUS' yearly operating cost by about S\$2 million in FY2024.

Creating a profitable and strategically important business in the wafer-fabrication arena has been a long and challenging endeavor for the Group. However, we believe our progress with customers, combined with our operational measures and initiatives to sharpen MMUS' competitiveness, will place it in a better position to achieve our goal of profitable long-term growth..

Leadership succession & employee retention rate

In 2023, Micro-Mechanics marks forty years since our CEO Mr. Chris Borch founded the Company in 1983. As we gear up for the next four decades, the Board would like to convey its deepest appreciation to Mr. Chow Kam Wing, Executive Director and CFO, and Mr. Low Ming Wah, Executive Director and COO, both of whom have retired from the Group after 27 and 34 years respectively of invaluable service. Since stepping down, Mr. Chow and Mr. Low remain employed by the Group as advisors and are helping to pave the way for a smooth leadership transition.

After joining the Group in 2001 and advancing through various key finance roles, we were delighted to announce the promotion of Ms. Wendy Tan Wei Lee to Vice President, Finance which took effect on 1 February 2023. In her new role, Ms. Tan is responsible for finance, accounting and internal control matters. Ms. Tan has also been appointed as Company Secretary.

We were also pleased to appoint Mr. Kyle Borch as Deputy CEO and Executive Director on 1 January 2023. Mr. Borch joined Micro-Mechanics in August 2018 and has been active in various engineering roles of the Group's operations.

In his new capacity as Deputy CEO, Mr. Borch will be relocating during 2Q24 to the Group's headquarters in Singapore where he will oversee the operations of our four plants in Asia. Ultimately, our goal is for each facility to master the fundamentals of excellence for stringent and complex manufacturing, and become a *Five-Star Factory*. This will require our people to clearly define problems and implement effective solutions based on fundamental engineering, quality and management practices.

Leadership succession can be a difficult process and potentially disruptive for organizations as people work to adapt to changes that are inevitable. At the same time, we think these transitions can be healthy as they open up opportunities to introduce improvements to our operational processes and for our people to grow, learn new skills and be recognized for their contributions. Not including personnel reductions implemented as part of MMUS' restructuring in 4Q23, the Group continues to benefit from a stable and committed team with an annualized retention rate of 93.7% during 2H23. At the end of FY2023, we had 495 great people (524 at end-FY2022).

Good governance & financial discipline

Since becoming a publicly-listed company in 2003, we have worked hard to make *good governance* a practical and everyday methodology for 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. Over the past 20 years, Micro-Mechanics has been recognised with over 30 awards for our efforts to practice good governance, transparency and investor relations. This includes being ranked 14th out of 474 companies in the latest Singapore Governance and Transparency Index 2023 published on 4 August 2023.

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 FY2023, we generated S\$17.7 million in cash. After net investing activities of S\$2.4 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 FY2023 with

cash and cash equivalents of S\$14.3 million (including S\$0.1 million in pledged deposits) and no bank borrowings.

Shareholders' returns

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 now 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 and our plans to invest about S\$4 million during FY2024, the Board has recommended a final dividend of 3 cents per share for FY2023. If approved at the Company's AGM scheduled for 30 October 2023, this will bring the Group's total dividend for FY2023 to 9 cents per ordinary share and the cumulative dividends since becoming a listed company in 2003 to 122.9 cents per share. This translates into a return of about 668% based on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

As we begin a new year for the Group, we would like to thank our independent directors for their guidance and commitment to good governance. We are also grateful to our people for their dedication and teamwork, especially during this year of leadership transition and market tumult. Indeed, during times such as these our saying has never rung more true: *People Make Everything Happen!*

F5. Dividend Information

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Yes.

Name of Dividend	Final
Dividend Type	Cash
Dividend amount per share (cent)	3 cents per ordinary share
Dividend Tax rate	0% (one tier tax-exempt)

(b) Corresponding Period of the Immediate Preceding Financial Year

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

Yes.

Name of Dividend	Final	Special
Dividend Type	Cash	Cash
Dividend amount per share (cent)	6 cents per ordinary share	2 cent per ordinary share
Dividend Tax rate	0% (one tier tax-exempt)	0% (one tier tax-exempt)

(c) The date dividend is payable

The proposed dividend, if approved by the members at the Twenty-Seventh Annual General Meeting to be held on 30 October 2023, will be paid on 17 November 2023.

(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 6 November 2023 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 6 November 2023 will be entitled to the proposed dividend.

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

Not applicable.

(f) A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year.

Total Annual Dividend

	Latest Full Year (FY2023)	Previous Full Year (FY2022)
	S\$	S\$
Ordinary	12,512,868	19,464,463
Preference	-	-
Total:	12,512,868	19,464,463

Note: The total annual dividend comprises the interim dividend of S\$8,341,912 paid on 17 February 2023 and the proposed final dividend of S\$4,170,955.

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 financial year ended 30 June 2023, the Group has made rental payment of US\$434,000 (30 June 2022: US\$422,000) and solar-generation electrical services payment of US\$169,364 (30 June 2022: US\$160,152) 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

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in Micro-Mechanics (Holdings) Ltd. (the “Company”) or any of its principal subsidiaries is a relative of a director of chief executive officer or substantial shareholder of the Company.

F9. Negative confirmation pursuant to Rule 705(5).

Not applicable.

BY ORDER OF THE BOARD

Wendy Tan Wei Lee
 Company Secretary
 28 August 2023