



MICRO-MECHANICS (HOLDINGS) LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199604632W)

ANNOUNCEMENT

ANNUAL GENERAL MEETING TO BE HELD ON 30 OCTOBER 2023 – RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The Board of Directors of Micro-Mechanics (Holdings) Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to thank shareholders for submitting their questions in advance of the Company’s Annual General Meeting (“AGM”) to be held on 30 October 2023.

For ease of reference, we have categorised and grouped together questions which are related to certain resolutions of the AGM, similar in nature, or pertaining to the same subject matter.

The Company’s responses to the questions that were raised by shareholders are set out in the following pages of this announcement.

By Order of the Board of Directors

Submitted by Tan Wei Lee,
Company Secretary
24 October 2023

ORDINARY RESOLUTION 1

GENERAL BUSINESS

Q1. In your latest Annual Report, the company shared its aspirations for each of the Group's manufacturing facilities to become a "Five-Star Factory".

- a) How many "stars" would you assess where the Group are currently at?**
- b) How would becoming a "Five-Star Factory" look different from where we are at?**
- c) How will we know when the Group has reached its goals?**

Five-Star Factory is not a scorecard. Rather, it refers to an initiative we began this year to more clearly define and implement the fundamentals we believe our operations need for sustainable success. These include:

- being responsive to the needs of our customers and working to solve their high-value problems;
- cultivating a culture of fresh thinking, ingenuity and innovation;
- being process oriented and using data to enhance decision-making and operational excellence;
- developing and maintaining clean, well-organized, lean and productive work areas; and
- working continuously to put the safety and security of our people, data and property as a top priority.

In addition, as the Group starts formal Environmental, Social and Governance ("ESG") reporting, we are also using our *Five-Star Factory* initiative to identify and implement programs that will improve the way we generate and use energy, reduce environmental waste, enhance the well-being of our employees and reinforce our commitment to good governance.

While all our factories currently demonstrate excellence in some of these areas, the chip industry is fast-paced, and to keep up with customer demands that are ever more stringent, we need deep excellence in each of these key areas and across all five plants. Through our quarterly results announcements and particularly our annual report, we will keep shareholders updated on our progress in these important areas.

Q2. On Geographical Breakdown (Page 9). Both China and the USA contribute significantly to the company's revenue. Thus far, is the company affected by the geo-political tension between the two countries? Do you foresee any impact of possibly decoupling of the two countries on the company? If yes, how do you intend to deal with this?

The Group's subsidiary in the USA engages in the contract manufacturing of precision parts used in process-critical applications for the semiconductor wafer-fabrication equipment industry. Our subsidiary in Suzhou manufactures consumable tools used in the assembly and testing of semiconductors. It has always been our strategy to have a decentralized structure with each of our five facilities focused on supporting local customers.

By not exporting from China to the USA or vice versa, we also reduce the possibility of being caught up in trade or other restrictions. While we have thus far not witnessed any significant direct impact from the geo-political tensions between the USA and China on our operations, these tensions are a concern and we remain mindful of developments that may affect our operations and/or our customers in these areas.

Q3. On USA Segment profit before tax (page 122), can you share the challenges faced in the US operation that resulted in a loss? On the description of operations (page 121), only the USA segment includes the manufacturing of precision components and modules. Is that the one that is non-profitable?

During FY2023, our plant in the USA (“MMUS”), which manufactures critical parts for the wafer-fabrication equipment industry, incurred a segment loss of S\$1.48 million. The loss includes depreciation expenses of S\$2.22 million. Each of our four other facilities reported a segment profit for the year.

Although our team at MMUS continues to work diligently to identify, develop and market process-critical parts for wafer-fabrication equipment, it has taken longer than expected for MMUS to develop the requisite technical competencies to become a qualified supplier. It has also been challenging to displace competitors that are much larger and well-entrenched with customers. On the other hand, the efficient machining methodology developed at MMUS, which we term “24/7 Machining”, has been a major benefit to all of the Group’s plants.

During the last two years, we also had to deal with significant cost increases for everything from materials to labor and energy. While it appears as if prices have begun to level out, the cost increases exerted pressure on the margins at MMUS during FY2023. During 4Q23, we took steps to eliminate about S\$2 million in annual operating costs at MMUS.

Together with a renewed focus on accelerating progress, we want to assure stakeholders of our commitment to making MMUS a profitable contributor to the Group.

Q4. Thank you for sharing 20 impressive years of the last 40 years as a listed company. I certainly benefited from all the dividends.

There is no question that MMH is trying to create another leg to stand for more than 20 years and without success. Please share what was so hard in the pasts [for MMUS] and what kind of challenges MMH must overcome so not to do a repeat.

Indeed, we also take great pride in our unwavering commitment to building long-term stakeholder value. Subject to the proposed final dividend for FY2023 of 3 cents per share being approved by our shareholders at the Company’s AGM scheduled for 30 October 2023, the Group’s total dividend for FY2023 will be 9 cents per ordinary share. Since becoming a listed company in 2003, we will have distributed 122.9 cents per share, which translates into a return of about 668% based on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

Please refer to Q3 above for the challenges at MMUS.

Since the Group’s founding in 1983, there have been many challenges to which our approach has always been the same. That is, we need to understand the challenge or problem and then put in place, as quickly as possible, a process-based solution.

ORDINARY RESOLUTION 2

DIVIDENDS

- Q5. Thank you for always declaring a dividend higher than the dividend payout threshold of 40%. Assuming there are no unforeseen circumstances, how confident are you to sustain the 9 cents dividend for the next few years?**

Since our public listing in 2003, the Group has had a consistent practice of rewarding shareholders through regular dividend payments every year despite the ups and downs of the business cycle. We are unable to comment on the amount of dividends going forward as it is subject to business performance, working capital and capital expenditure requirements, expansion and investment plans, and other relevant factors. Nevertheless, one of our fundamental areas of focus is to build a great business with a strong balance sheet while fostering a culture of resourcefulness and discipline.

OTHERS

LEADERSHIP TRANSITION

- Q6. The company is transitioning leadership as it gears up for the next 40 years. Mr. Kyle Borch, held a non-managerial role since 2018 in this unsuccessful endeavor (so far) at MMUS, then followed by promotion to DCEO. I wonder how employees internally and shareholders externally will see him as the key person or leader of a team built around him for the next 40 years with his current track record.**

Without a doubt, leadership succession can be a difficult process for organizations. Not only is it important to select the right people for the position but it can also be difficult for employees to adapt to the inevitable changes in strategy and approach that come with new leadership.

At the same time, we believe these transitions can be healthy as they create opportunities for fresh perspectives and the chance for our people to grow, learn new skills and be recognized for their contributions to improving our operations.

On 1 January 2023 we were pleased to appoint Mr. Kyle Borch as Deputy CEO and Executive Director. After receiving a Bachelor of Science in Physics with a minor in Mathematics, and dual Master-degrees in Mechanical Engineering and Engineering Management, Mr. Kyle Borch joined Micro-Mechanics five years ago in August 2018.

Executive succession planning often involves the Board having to make the tough decision on whether to look for an external candidate with years of experience, or an internal candidate who may have less experience but better personifies the company's way of working, appreciates our values and emphasizes the Group's long-term success.

With his strong educational background and nearly 4.5 years working for the Group prior to being appointed as Deputy CEO, Mr. Kyle Borch had the opportunity to learn the business, develop key technical and problem-solving skills directly relevant to our manufacturing processes and thoroughly embrace Micro-Mechanics' culture of striving for excellence.

Together with a leadership ethos firmly based on our philosophy of "People Make Everything Happen", the Board believes that Mr. Kyle Borch is the right person to help guide the Group's future for the next 40 years. Mr. Kyle Borch will also have the benefit of tapping the vast industry experience and knowledge of the Group's founder and CEO, Mr. Chris Borch, who remains extremely active in the daily and strategic matters of the Group's global operations.

During 2Q24, Mr. Kyle Borch intends to relocate to the Group's headquarters in Singapore where he will continue to oversee the operations of our four plants in Asia.

About Micro-Mechanics

Micro-Mechanics designs, manufactures and markets high precision tools and parts used in process-critical applications for the wafer-fabrication and assembly processes of the semiconductor industry.

The Group serves a worldwide base of customers from five manufacturing facilities located in Singapore, Malaysia, China, the Philippines and the USA. Micro-Mechanics' strategy is to relentlessly pursue product and operational improvements while providing fast, effective and local support to its customers worldwide.

In addition to designing and manufacturing a market-leading range of consumable tools and parts used in the assembly and testing of semiconductors, the Group also engages in the contract manufacturing of precision parts and tools used in process-critical applications for the semiconductor wafer-fabrication industry.

Since listing on the Singapore Exchange in June 2003, Micro-Mechanics has won over 30 awards in recognition of its high standards of corporate governance, quality of disclosure, transparency and investor relations.

For more information, please visit the Group's website at www.micro-mechanics.com

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