



**MICRO-MECHANICS®**

**FINANCIAL YEAR 2022  
ANNUAL REPORT**

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## CORPORATE PROFILE

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

Beginning in 1983 with a small factory in Singapore, the Group has grown steadily to become a publicly-listed corporation with a global presence. Today, Micro-Mechanics serves a worldwide base of customers from five manufacturing facilities located in Singapore, Malaysia, China, the Philippines and the USA.

The Group's 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 received over 30 awards in recognition of its high standards of corporate governance, quality of disclosure, transparency and investor relations. The Group has also been recognised in the Forbes Asia Best Under A Billion List in 2006 and 2022.

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## MISSION STATEMENT

Our mission is to provide our customers with "*Perfect Parts and Tools, On Time, Every Time*", based on scalable, repeatable and cost-effective manufacturing processes.

# CHAIRMAN'S STATEMENT

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## Dear stakeholders,

On behalf of our Board of Directors, it gives me much pleasure to report that Micro-Mechanics achieved record revenue and profits for the 12 months ended 30 June 2022 ("FY2022") despite the all too well known significant challenges for businesses and people that remain in the wake of the worst of the COVID-19 pandemic.

For FY2022, Group revenue was S\$82.5 million and net profit was S\$19.8 million. In its review of the year in the following pages of this Annual Report, our Executive Management provides further details and insight into the Group's financial performance in FY2022 and outline our key strategies for Micro-Mechanics to continue building value for all our stakeholders.

In keeping with our practice of rewarding shareholders with dividends that reflect the Group's performance, we are proposing the payment of a final dividend of 6 cents per share and a special dividend of 2 cents per share. Together with the interim dividend of 6 cents per share that was paid on 22 February 2022, the Group would be distributing a total dividend of 14 cents per share for FY2022.

Including these proposed final and special dividends for FY2022, Micro-Mechanics would have distributed cumulative dividends of 113.9 cents per share since the Group's listing on the Singapore Exchange in 2003. This translates to a return of about 600% based on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

Since our listing, we have been working relentlessly to put good governance at the heart of everything we do. To us, good governance is a methodology to drive the Group's performance by aligning the way our people at all levels – from the Board Room to the Shop Floor – make decisions and take actions to enhance and protect stakeholder value. When it comes to assessing good governance, we think conformance and performance are inseparable.

The Company's performance has been noticed. We are honoured that Micro-Mechanics was an entrant in the latest *Forbes Asia Best Under A Billion List* which was published on 10 August 2022. This list recognises the 200 top-performing public companies (out of a pool of 20,000 listed firms) with less than US\$1 billion in yearly

sales in the Asia-Pacific region. Forbes Asia selects these companies based on a composite score that takes into account factors such as debt, sales, earnings per share growth and average returns on equity.

In terms of conformance, we have obtained over the last few years and have maintained ISO 37001 Certification for Anti-Bribery Management and BCM 22301 Certification for Business Continuity Management. More recently, our plant in Singapore qualified for the Data Protection Trustmark relating to data protection and privacy.

In our corporate journey, we have always tried to do more than just "tick the boxes" when addressing governance. In the latest Singapore Governance and Transparency Index (SGTI) published on 3 August 2022, Micro-Mechanics' ranking in the SGTI improved to 13th out of 489 companies on the Singapore Exchange. We think this achievement is particularly laudable as it is companies with large market capitalisations with the ability to have much larger budgets than us, that largely comprise the top 20 companies in the SGTI.

At the Singapore Corporate Awards (SCA) 2022 on 30 August 2022, the Group won the Gold Award for Best Investor Relations in the "market capitalization of S\$300 million to less than S\$1 billion" category. This is the eighth time the SCA has recognised Micro-Mechanics for our investor relations practices. Since our listing, Micro-Mechanics has won more than 30 awards for our good governance, transparency and investor relations.

In closing, I would like to thank my fellow directors for their sound judgement and practical advice, as well as our people for their commitment and hard work. And on behalf of the Board, I would like to express our appreciation to our customers, business partners and suppliers for their continued support and patronage of Micro-Mechanics.

We look forward to continue working together to build value for all our stakeholders.

**Sumitri Menon**  
**Independent Non-Executive Chairman**

# EXECUTIVE MANAGEMENT REPORT

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## To all our stakeholders,

Riding on the growth of the global semiconductor industry, Micro-Mechanics delivered a second consecutive year of record revenue and net profit for the 12 months ended 30 June 2022 (“FY2022”).

Notwithstanding a challenging operating environment, the Group’s net profit increased 9.7% to S\$19.8 million on the back of 11.8% growth in revenue to S\$82.5 million in FY2022. We witnessed double-digit sales growth in our three largest markets – China, the USA and Malaysia – which contributed 33.4%, 21.4% and 15.4% respectively to the Group’s sales.

During FY2022, we generated net cash from operations of S\$25.2 million. After net investing activities of S\$4.5 million and distributing S\$20.8 million for the payment of dividends, the Group ended the financial year with a strong balance sheet that had cash of S\$20.4 million (including S\$0.2 million held as security deposits) and zero bank borrowings. We believe that building a great manufacturing business without debt helps to foster a culture of resourcefulness, discipline and careful decision making.

Based on the Group’s net profit of S\$19.8 million and shareholder’s equity of S\$58.3 million at the end of FY2022, our return on equity (“ROE”) reached a record 34.0%, up from 31.2% in FY2021 and 25.3% in FY2020.

If approved by shareholders at our next Annual General Meeting to be held on 14 October 2022, the Group will distribute a final dividend of 6 cents per share and a special dividend of 2 cents per share for FY2022. Together with the interim dividend of 6 cents per share, this would bring the total dividends for all of FY2022 to 14 cents per share.

## Continuing Our Focus on the Key Fundamentals

While it looks like the worst of the COVID-19 situation may be behind us, the Group continues to face significant challenges in the aftermath of the pandemic. These include staff shortages, inflationary pressures, supply chain shortages and other disruptions. Nevertheless, we have managed to keep the Group’s five worldwide factories running and focused on meeting the needs of customers.

Although dealing with a global pandemic was not something on the Group’s radar in early 2020, we have always been mindful of the need to build an organisation that is strong and resilient. Whether it is the adverse impact of a market downturn, introduction of disruptive technology, geopolitical unrest or a host of other unforeseen events, we need to have goals, structures and processes in place that make it easier for the Group to adapt to changes in the operating environment and ensure business continuity. To this end, we intend to continue focusing on a handful of key areas.

### Unwavering Focus on our Customers

At Micro-Mechanics, a key objective is to maintain a strong and unrelenting focus on our customers. Customers need the parts and tools that we make to be flawless as a single defect can cause disastrous consequences in the ultra-complex manufacturing process of semiconductors. To that end, we are continually developing proprietary materials such as an elastomer that dissipates static electricity which, if left unchecked, could lead to damaged chips. We are also developing methods to clean our parts and tools and reduce the possibility of introducing organic or ionic contaminants which are especially detrimental to the chip-manufacturing process.

Together with ongoing initiatives to improve the precision and repeatability of our core machining processes, we are working hard to build competitive advantages and keep pace with the industry’s increasingly stringent requirements.

# EXECUTIVE MANAGEMENT REPORT

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Our customers also need suppliers that are responsive, cost-effective and resilient. To meet these requirements, we are automating our operations and implementing *Smart Factory* technologies such as RFID-enabled cutting tools, embedded equipment sensors and specialised software. These strategies aim to reduce error-prone human activities and provide real-time data that our people can use to improve their decision making and respond faster to quality, downtime or other operating issues that may arise.

According to a recent study by semiconductor industry group SEMI, 31 new chip fabrication facilities will be built in China over the next four years. The industry's major equipment makers have also reported plans to build 12 wafer fabrication plants in the USA and several in Singapore. Efforts are also being made to turn Singapore and Malaysia into hubs for building wafer fabrication and chip assembly equipment.

With the Group's decentralised structure, which includes plants in Singapore, Malaysia, China, the Philippines, and the USA, we are in a strong position to capitalise on the future growth of the semiconductor industry. To ensure we have the requisite capacity and capabilities to provide fast, effective, and local support to our global customers, the Group incurred capital expenditure of S\$4.9 million which was utilised primarily to upgrade and improve our five factories during FY2022. For FY2023, we are budgeting capital expenditure of about S\$5 million which will be invested mainly on new production equipment.

## Maintaining a Healthy Gross-Profit Margin

Although rapidly rising costs for materials, energy and manpower exerted significant pressure on our gross profit (GP) margin, the Group still maintained a healthy GP margin of 53.4% for FY2022. These inflationary pressures are expected to prevail in FY2023, especially for skilled factory personnel. We plan to continue our relentless focus on working to strengthen our GP margin with initiatives that enhance the value we bring to customers, improve quality and streamline the operations of our factories.

## Building a Lean, Efficient and Resilient Operation

Maintaining a tight rein on expenses while striving for operational efficiency and resilience is also a key goal of the Group. During FY2022, we began replacing our Enterprise Resource Planning ("ERP") system with a more powerful cloud-based ERP. Although this is a costly and time-consuming initiative, we believe it is the right move to improve not only operational efficiency, but also resiliency as our people will have greater ability to work remotely, especially when there is restricted access to the factory or office such as during the pandemic.

With a careful watch over expenses and a stringent process for determining and approving major expenses and investments, the Group has performed well to control our cost structure. Although our total distribution, administrative and other expenses including other income increased 6.5% to S\$17.9 million in FY2022, these overhead expenses fell to 21.7% as a percentage of our sales when compared to 22.8% in FY2021 and 23.7% in FY2020. Moving forward, we intend to further improve this powerful measure of how well our people and resources are used to support the Group's core manufacturing activities.

## Driving Performance Through Good Governance

Even before Micro-Mechanics was listed in 2003, good governance had always been at the heart of everything we do. While keeping up with the best practices in compliance and reporting are important, we see good governance as a methodology for driving performance by aligning the way our people at all levels – from the Board Room to the Shop Floor – make decisions and take actions to enhance and protect stakeholder value.

In her statement in this annual report, our Chairman has highlighted the wide recognition that Micro-Mechanics has received for our good governance, transparency and investor relations practices over the years.

# EXECUTIVE MANAGEMENT REPORT

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## Building With People

At the end of FY2022, we had 524 great people with our Group. Although our annual employee turn-over rate for FY2022 of about 10% is low in comparison to what we hear other companies are experiencing, it is a very difficult and challenging employment environment especially for skilled factory personnel.

In the long term, our ability to attract, train, engage, compensate and retain this essential subset of people will be a major factor in the Group's long-term success. To that end, we plan to do more to create the policies and work environment that will help put Micro-Mechanics ahead of the times while continuing to recognise and reward our people for their contributions to the Group.

## **Appreciation**

In closing, 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. Indeed, it is during times such as these when our saying has never rung more true: People Make Everything Happen!

We look forward to continuing our work to build value for all the Group's stakeholders.

**Christopher Reid Borch**

Chief Executive Officer

**Low Ming Wah**

Chief Operating Officer

**Chow Kam Wing**

Chief Financial Officer

# AWARDS AND ACCOLADES

Since becoming a public company in 2003, Micro-Mechanics has received consistent recognition for our sound corporate governance, transparency and investor relations practices. The Group's Investor Relations policy is presented in the Corporate Governance section of this Annual Report.

Micro-Mechanics is also a winner of productivity awards which endorse our continuing efforts to improve efficiency and raise productivity of our operations.

In addition, the Group has been recognised by Forbes as one of the 200 top-performing public companies with less than US\$1 billion in yearly sales in the Asia-Pacific region.

## FORBES

2022 Asia Best Under A Billion List

2006 Asia Best Under A Billion List

## SINGAPORE CORPORATE AWARDS

2022 Gold Award – Best Investor Relations

2021 Corporate Excellence and Resilience Award

2018 Best CEO Award

2017 Gold Award – Best Managed Board  
Gold Award – Best Investor Relations

2016 Silver Award – Best Managed Board

2015 Silver Award – Best Managed Board  
Silver Award – Best Investor Relations

2014 Silver Award – Best Investor Relations

2013 Silver Award – Best Investor Relations

2012 Gold Award – Best Managed Board  
Silver Award – Best Investor Relations

2011 Silver Award – Best Investor Relations

2010 Bronze Award – Best Investor Relations

2008 Chief Financial Officer of the Year (Sesdaq)



# AWARDS AND ACCOLADES

## INVESTORS' CHOICE AWARDS – SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

2019	Singapore Corporate Governance Award (Small Cap) Shareholder Communications Excellence Award (Small Cap)
2018	Singapore Corporate Governance Award (Small Cap) Shareholder Communications Excellence Award (Small Cap)
2017	Singapore Corporate Governance Award (Small Cap) Singapore Corporate Governance Award (Information Technology) Shareholder Communications Excellence Award (Small Cap)
2016	Singapore Corporate Governance Award (Mid and Small Cap) Most Transparent Company (Information Technology)
2015	Most Transparent Company (Mainboard Small Caps)
2011	Most Transparent Company (Mainboard Small Caps)
2010	Most Transparent Company (Mainboard Small Caps)
2009	Most Transparent Company (Mainboard Small Caps)
2008	Most Transparent Company (Mainboard Small Caps)
2006	Corporate Governance Award (Sesdaq)
2005	Most Transparent Company (Sesdaq)

## THE EDGE SINGAPORE BILLION DOLLAR CLUB (CENTURION CATEGORY)

2020	Most Profitable Company (under sector category – Automobiles & Auto Parts; Industrial & Commercial Services; Industrial Conglomerates; Industrial Goods; Energy – Fossil Fuels; Utilities)
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## ASIAMONEY CORPORATE GOVERNANCE POLL

2010	Best for Shareholders' Rights and Equitable Treatment in Singapore
2009	Best for Shareholders' Rights and Equitable Treatment in Singapore

## PRODUCTIVITY AWARDS

2018	Inaugural winner of Productivity Award conferred by the Singapore Precision Engineering and Technology Association (SPETA) in partnership with Singapore Institute of Manufacturing Technology (SIMTech)
2017	Winner of Singapore Productivity Awards by the Singapore Business Federation (SBF)



# FINANCIAL HIGHLIGHTS

## INCOME STATEMENT SUMMARY

Financial year-end 30 June

(S\$ million)	FY2018	FY2019	FY2020	FY2021	FY2022
Revenue	65.1	60.3	64.2	73.7	<b>82.5</b>
Gross Profit	37.1	32.4	34.3	40.0	<b>44.0</b>
Profit Before Tax	21.9	17.1	19.1	23.2	<b>26.2</b>
Net Profit	17.1	12.9	14.7	18.1	<b>19.8</b>
EPS (cents)	12.3	9.3	10.5	13.0	<b>14.2</b>
Weighted average number of shares in issue	139,031,881	139,031,881	139,031,881	139,031,881	<b>139,031,881</b>

## BALANCE SHEET SUMMARY

(S\$ million)	As at 30 June 2021	As at 30 June 2022
Total Non-Current Assets	33.0	<b>31.3</b>
Total Current Assets	39.4	<b>42.4</b>
Total Non-Current Liabilities	3.6	<b>2.9</b>
Total Current Liabilities	10.8	<b>12.5</b>
Shareholders' Equity	58.0	<b>58.3</b>
<i>Cash and cash equivalents</i>	20.6	<b>20.4</b>
<i>Trade and other receivables (current)</i>	13.6	<b>16.4</b>
<i>Trade and other payables (current)</i>	7.9	<b>8.9</b>
<i>Short and long-term debt</i>	0.0	<b>0.0</b>
<i>NAV per share (cents)</i>	41.7	<b>41.9</b>

## KEY FINANCIAL RATIOS

	FY2021	FY2022
Gross Profit Margin	54.3%	<b>53.4%</b>
Net Profit Margin	24.5%	<b>24.0%</b>
Return on Equity	31.2%	<b>34.0%</b>
Dividend Per Share	14.0 cents	<b>14.0 cents</b>
Dividend Payout	107.8%	<b>98.2%</b>

# FINANCIAL HIGHLIGHTS

## GROUP REVENUE (S\$M)

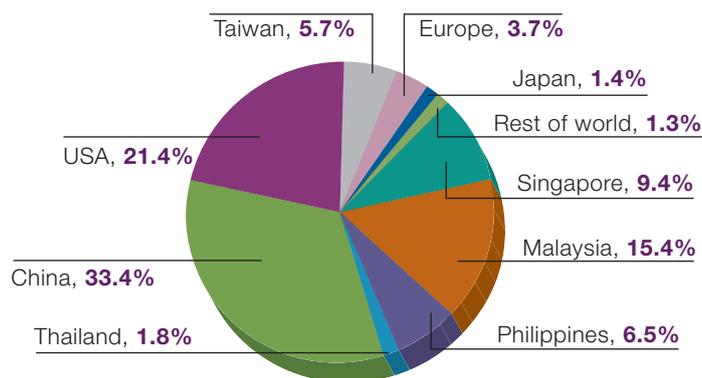


## GROUP GROSS PROFIT MARGIN (%)

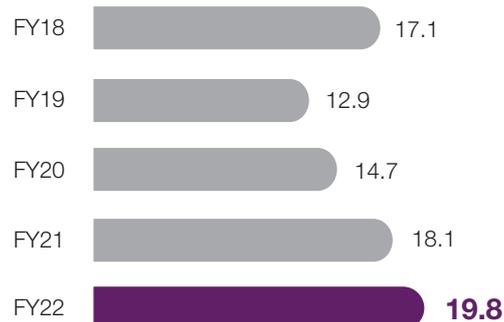


\* Due to rounding, some totals may not correspond with the sum of separate figures.

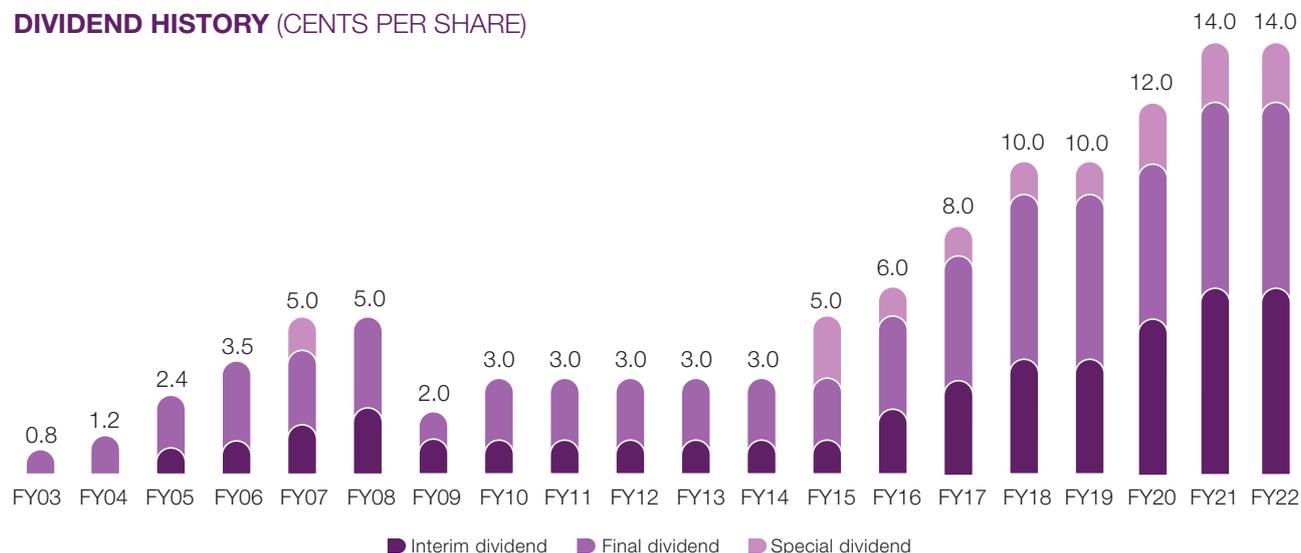
## REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET (FY2022)



## GROUP NET PROFIT (S\$M)



## DIVIDEND HISTORY (CENTS PER SHARE)



# BOARD OF DIRECTORS



**Sumitri Mirnalini Menon @ Rabia**  
Independent Non-Executive Chairman

Ms. Menon is an advocate and solicitor and has been practicing as a lawyer since 1982. She is currently with Menon and Co and was previously a partner with Jansen Menon and Lee. Ms. Menon graduated from the National University of Singapore with a Bachelor of Laws (Honours). She is a Commissioner For Oaths and a Notary Public and member of the Singapore Institute of Directors.



**Christopher Reid Borch**  
Founder & Chief Executive Officer

Mr. Borch has more than 40 years of engineering, manufacturing and management experience in the semiconductor industry, including 17 years living and working in Asia. Prior to founding Micro-Mechanics in 1983, Mr. Borch held positions with several leading makers of automatic assembly equipment including Kulicke & Soffa, Inc. Mr. Borch earned his undergraduate degree from Furman University and an MBA from The Wharton School at the University of Pennsylvania. Mr. Borch serves on the Dean's Board of the University of Southern California's Engineering School. In July 2018, Mr. Borch received the Best Chief Executive Officer Award at the Singapore Corporate Awards.



**Low Ming Wah**  
President & Chief Operating Officer

Mr. Low joined Micro-Mechanics in 1989 as the company's first engineer. During his career at Micro-Mechanics, Mr. Low has held key engineering, manufacturing and management positions. Prior to joining Micro-Mechanics, Mr. Low held engineering and design positions with General Electric and Siemens. Mr. Low received his Diploma in Mechanical Engineering from Singapore Polytechnic and an MBA from the University of Hull, UK. He has over 35 years of experience in the semiconductor and precision engineering industry.

Currently, Mr. Low is the Immediate Past Chairman of Singapore Precision Engineering & Technology Association (SPETA). He served as Chairman of the SPETA (2017-2021), board member of Enterprise Singapore (2018-2020) and member of FEC Manufacturing Sub-committee under EDB (2017-2019). He also served as the member of the SMEC main committee under Singapore Business Federation (2020-2022).

In 2012, Mr. Low established a bursary fund with the Singapore Polytechnic Graduate Guild Endowment to support students in need of financial assistance. He also established a Study Grant with Singapore Institute of Technology in 2015, and a scholarship with Singapore University of Technology and Design in 2017. Mr. Low is a Distinguished Patron of the Loving Heart Multi-Service Centre in Singapore.



**Chow Kam Wing**  
Chief Financial Officer & Company Secretary

Mr. Chow joined Micro-Mechanics in 1996 and played the key role for the Company's IPO on SGX in 2003 and business strategy and operations in the region as well as leader of the digital transformation of the Group. Prior to joining Micro-Mechanics, Mr. Chow has more than 15 years working experience in auditing and accounting in Hong Kong.

Currently, Mr Chow is Committee Member of CFO Committee of Australia CPA (Singapore). He served as Audit Committee Member of Singapore Chinese Orchestra (2013 – 2017), Committee Member of the Corporate Governance Committee of Institute of Singapore Chartered Accountants (ISCA) (2014 – 2020), Committee Member of CFO Committee of ISCA (2008 – 2014) and Advisory Council Member of Singapore CFO Institute under Singapore Accountancy Commission (2015 – 2017).

Mr. Chow is a fellow Member of CPA Australia and Member of Institute of Singapore Chartered Accountants and Hong Kong Institute of Certified Public Accountants. He received his MBA from the University of Wales, United Kingdom.

In February 2008, Mr. Chow was recognized as the Chief Financial Officer of the Year at the Singapore Corporate Awards.

# BOARD OF DIRECTORS

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**Lai Chin Yee**  
Independent Director

Ms. Lai has over 30 years of experience in auditing, taxation, finance and accounting, and is currently the Finance Director of SGX-listed Qian Hu Corporation Limited. Ms. Lai was formerly an auditor with international accounting firms from 1987 to 2000.

Ms. Lai was appointed by the Ministry of Finance (MOF) as a member of the Tax Advisory Committee from 2004 to 2006. She served as a member of the CFO Committee of the Institute of Singapore Chartered Accountants (ISCA) from 2009 to 2012 and the Corporate Governance and Risk Management Committee from 2018 to June 2020.

Ms. Lai was elected as a council member of ISCA since 2018. She is currently the Chairperson of ISCA's Continuing Professional Education Committee and a member of its Membership Committee. She was also appointed by MOF as a Board member of Accounting and Corporate Regulatory Authority (ACRA) since 2019. Ms. Lai is an Independent Director of Singapore Paintcentre Holdings Limited, a company listed on the Singapore Exchange.

Ms. Lai graduated with a Bachelor degree in Accountancy from the National University of Singapore. She is a Fellow Chartered Accountant of Singapore and a member of the Singapore Institute of Directors. In 2009, she was named the Chief Financial Officer of the Year at the Singapore Corporate Awards (for companies with less than \$300 million in market capitalisation).



**Kenny Kwan**  
Independent Director

Mr. Kwan is a partner at Baker & McKenzie. His areas of practice include capital markets transactions, mergers and acquisitions, and general corporate matters. Over two decades, Kenny has established himself as a respected Capital Markets lawyer. His securities law experience includes acting as both issuers' and underwriters' counsel on Singapore, Indonesia, Malaysia capital market transactions as well as US-registered and Rule 144A/Regulation S offerings. Mr. Kwan also advises on fund managers and issuers on the structuring and establishment of investment funds domiciled in Singapore as well as on regulatory aspects of managing investment funds outside of Singapore. He is also the Lead Independent Director of Keppel DC REIT which is listed on the Singapore Exchange.

Mr. Kwan holds a Bachelor of Law (Honours) degree from the National University of Singapore and is a member of the Singapore Bar.

# EXECUTIVE OFFICERS

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## SINGAPORE

Micro-Mechanics Pte Ltd  
Mr. Neo Say Chow (Factory Manager)

## MALAYSIA

Micro-Mechanics Technology Sdn. Bhd.  
Mr. Ng Chin Lim (General Manager)

## PEOPLE'S REPUBLIC OF CHINA

Micro-Mechanics Technology (Suzhou) Co. Ltd.  
Mr. Shen Zi Quan (Deputy General Manager)

## THE PHILIPPINES

Micro-Mechanics Technology International, Inc.  
Mr. Richie Manuel (Factory Manager)

## THE UNITED STATES

Micro-Mechanics, Inc.  
Mr. Colin Wojno (Deputy General Manager)

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# CORPORATE INFORMATION

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## Board of Directors

### Sumitri Mirnalini Menon @ Rabia

*Independent Non-Executive Chairman*

First appointed: 16 May 2003

(Email: smenon@micro-mechanics.com)

(re-appointed on 29 October 2021)

### Christopher Reid Borch

*Executive Director*

First appointed: 25 June 1996

(Email: cborch@micro-mechanics.com)

(re-appointed on 30 October 2020)

### Low Ming Wah

*Executive Director*

First appointed: 25 June 1996

(Email: mwlow@micro-mechanics.com)

(re-appointed on 30 October 2019)

### Chow Kam Wing

*Executive Director*

First appointed 20 January 2003

(Email: kam.chow@micro-mechanics.com)

(re-appointed on 29 October 2021)

### Lai Chin Yee

*Independent Director*

First appointed: 1 June 2014

(Email: laicy@micro-mechanics.com)

(re-appointed on 30 October 2020)

### Kenny Kwan Yew Kwong

*Independent Director*

First appointed: 14 June 2019

(Email: kennykwan@micro-mechanics.com)

(re-appointed on 30 October 2019)

## Audit Committee

Lai Chin Yee

*Chairman*

Sumitri Mirnalini Menon @ Rabia

Kenny Kwan Yew Kwong

## Nominating Committee

Sumitri Mirnalini Menon @ Rabia

*Chairman*

Lai Chin Yee

Kenny Kwan Yew Kwong

## Remuneration Committee

Kenny Kwan Yew Kwong

*Chairman*

Sumitri Mirnalini Menon @ Rabia

Lai Chin Yee

## Risk Management/ Sustainability Committee

Lai Chin Yee

*Chairman*

Sumitri Mirnalini Menon @ Rabia

Low Ming Wah

Chow Kam Wing

Kenny Kwan Yew Kwong

## Company Secretary

Chow Kam Wing

Certified Public Accountant

(Singapore)

## Registered Office

Company No: 199604632W

31 Kaki Bukit Place

Eunos Techpark

Singapore 416209

Tel: 65-6746-8800

Fax: 65-6746-7700

## Share Registrar & Share Transfer Office

M & C Services Private Limited

112 Robinson Road

#05-01

Singapore 068902

## Auditors

KPMG LLP, Certified Public

Accountant

16 Raffles Quay

#22-00 Hong Leong Building

Singapore 048581

Partner-in-charge: Tan Khai Boon

(appointed since Financial Year 2022)

## Internal Auditors

Nexia TS Risk Advisory Pte Ltd

80 Robinson Road

#25-00

Singapore 068898

## Principal Banker

DBS Bank Ltd

12 Marina Boulevard

DBS Asia Central

Marina Bay Financial Centre Tower 3

Singapore 018982

## Investor Relations Consultant

Octant Consulting

7500A Beach Road

#04-329 The Plaza

Singapore 199591

Tel: 65-6296-3583

Email: herman@octant.com.sg/

lisa@octant.com.sg

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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## ABOUT THE REPORT

It is universally recognised that companies have or can have a profound impact on the environment, local communities, where they operate, its stakeholders and its own people. Hence Micro-Mechanics (Holdings) Ltd (“Micro-Mechanics”) endeavours not only to do well financially, but is also responsibly mindful of its impact on the environment and that it positively affects our people, stakeholders and the communities in which we operate.

Micro-Mechanics is pleased to present our fifth sustainability report prepared in accordance to Singapore Exchange Securities Trading Limited’s (“SGX-ST”) Mainboard listing Rule 711(A), 711(B) and with reference to the guidelines of the Global Reporting Initiative (“GRI”) Standards: “Core” option. Micro-Mechanics has adopted the GRI reporting framework for its detailed guidance in the disclosure of governance approaches, Environmental, Social and Economic (“ESG”) factors.

This report sets out material ESG factors identified by Micro-Mechanics and the sustainability efforts of all its manufacturing facilities and people for the Financial Year 2022 (“FY2022”) being the period from 1 July 2021 to 30 June 2022. Micro-Mechanics has not sought independent, third-party assurances for the preparation of this report.

## Reporting Scope

Micro-Mechanics designs, manufactures and markets high precision parts and tools for the semi-conductor industry. Our tools and parts are used in process-critical applications in wafer-fabrication as well as test and assembly processes in the semiconductor industry. The Group operates manufacturing facilities in Singapore, Malaysia, China, the Philippines and the USA. The Group’s strategy is to relentlessly pursue product and operational improvements while providing fast, effective local support in these key locations as well as to customers worldwide.

This report covers sustainability efforts in relations to all facilities under the Group in Singapore, Malaysia, China, the Philippines and the USA.

For more information with regards to this report or feedback on our sustainability practices, please email to [Investor@micro-mechanics.com](mailto:Investor@micro-mechanics.com)



# SUSTAINABILITY REPORT

Year ended 30 June 2022

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## MESSAGE FROM THE BOARD

The Board of Directors (the “Board”) is pleased to present our Sustainability Report for FY2022. Processes have been established or enhanced to enable our people to identify areas for improvements and opportunities for and within our organisation for positive contributions in an on-going manner. The Board and management have always been mindful of the impact of its activities on the environment and its stakeholders. In recent years a more structured approach has been established and we have additionally become more mindful of Micro-Mechanics’ ability to contribute more positively to local communities. We believe all these efforts are the right and responsible thing to do and shall contribute to a sustainable, if not better environment and the betterment of people and lives. Though not the principal purpose of these efforts, over time such efforts must translate to our competitive standing in the industry. This report relates to our review, implementation and enhancement of the Environment, Social and Governance (ESG) factors and related components identified in our preceding reports in this regard.

This is our managing structure. The Board provides strategic leadership and the direction of Micro-Mechanics’ sustainability plans and targets. It has established a Risk/Sustainability Management Committee (“RSMC”) to assist with the Group’s sustainability efforts with the support of a Sustainability Steering Committee chaired by our COO and CFO to ensure objectives are met at operational level.

The Board would like to thank our Sustainability Steering Committee, Sustainability Working Committee and all employees for their support in measuring, monitoring and managing our performance with respect to the identified ESG factors. Our sustainability report is aligned with the Singapore Exchange (SGX); SGX-ST Listing Rules 711A and 711B and references the internationally recognized Global Reporting Initiative (GRI) Standards and closely guided by stakeholders’ concerns and sustainability.

In this year’s report, we have included a new metric reported under the heading, Operations (Occupational Health and Safety) to monitor and record the number of accidents within the company. Through methodical monitoring and recording, the lessons learnt will improve safety at all our manufacturing facilities.

In the new financial year, we plan to transition to the TCFD (Task Force on Climate-related Financial Disclosures) framework. We aim to capture related data to identify financial implications of climate-related risks and opportunities and integrate such information into our business and investment decisions. To facilitate this transition, we appointed a Chief Sustainability Officer in March 2022 as part of the organisation’s efforts to take an even more focused approach to sustainability.

As the COVID-19 pandemic continues to run its course, we noticed increasing negative social and economic effects. Many of our employees have or are beginning to manifest ill effects such as mental fatigue due to the constant worry and stress brought about by the uncertainty of the pandemic and the business conditions. There is much discussion among employees about the ‘Great Resignation’ phenomenon still playing out. The Ukraine-Russian war has contributed to the disruption of global supply chains affecting the delivery times of both products and materials. As if these events were not enough, the threat of climate driven adverse events looms menacingly over all of us. Flash floods, prolonged dry spells and more extreme temperatures and weather events are becoming increasingly frequent. Our people are constantly on their toes to deal with or plan for any possible disruptions in our operations. These kinds of situations are tough but present unique opportunities to touch and improve the lives and the bond between our people and learning opportunities to further strengthen operational resilience and improve sustainability.

Finally, we would like to thank our stakeholders and partners for their support in our quest to do better and to do it in a better way.

Sincerely,  
Board of Directors  
Micro-Mechanics (Holding) Ltd

# SUSTAINABILITY REPORT

Year ended 30 June 2022

## Impact of Covid on the Group's Factories

In FY2022, there were no mandatory shutdowns directives in any of our manufacturing locations except in Suzhou, China where the government still has a zero Covid-19 policy. In February 2022, to contain the spread of the virus, we had to close our factory in Suzhou for 5 days under a government directive.

Health authorities worldwide have reported that over the last year whilst the pandemic has not run its course, less people are becoming seriously ill but more people are contracting the disease. This is also our observation amongst our people. Employees at all factories are still expected to wear masks during work hours and test themselves weekly. Employees who are found to be positive for Covid-19 are expected to stay at home. At the start of the pandemic, we implemented remote working arrangements. Such arrangements continued to be the default for employees whose job scopes do not require them to be physically in the factory. Due to a decentralised and lean management approach and robust IT infrastructure (including ERP system) which enable our people to work remotely, there have been no significant impact to our operations.

During FY2022, out of 524 employees, we recorded a total of 212 employees taking medical leave, hospitalisation leave or were quarantined at home due to Covid-19. Details are as follows:

Factory location	Number of employees	Days taken
Singapore	93	570
Penang	31	294
Philippines	48	409
Suzhou	19	301
USA	22	110
<b>Total</b>	<b>212</b>	<b>1,684</b>

## Continued Vigilance Against COVID-19

From medical and business viewpoints, even after two years, the pandemic remains a major concern. It is not possible to rule out for instance if a more virulent strain may emerge than in the last year. While many countries have relaxed safety measures, it is still necessary to commit resources to remaining vigilant against a possible outbreak. Safety measures put in place during the height of the pandemic remain in place at our facilities to ensure the health and safety of all employees.

These include the following:

- Remote work arrangement for those who are not required to work in the factory
- Mandatory mask wearing during work hours
- Twice-daily temperature screening
- Daily ventilation of workspaces

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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- Provision of hand sanitisers at entrances
- Daily sanitization of workspaces and common areas
- A safe distance of at least 1 meter between employees
- Provision of Covid-19 test kit to employees coming back to the workplace
- Weekly Covid-19 self-testing
- All visitors to register and declare travel history and symptoms
- Engage professionals to clean and sanitize the entire factory regularly

The risk of an infection breaking out within the company and affecting many employees is still ever present. We are taking precautions and ensuring all facilities, are provided with adequate supplies. We remain prepared to respond quickly to any changes in the Covid-19 situation and adapt to new measures as and when required.

## SUSTAINABILITY GOVERNANCE

This has been enhanced. On 1 March 2022, we appointed Mervyn Tan as our Chief Sustainability Officer to lead the Sustainability Working Committee. Besides his involvement in the Sustainability Working Committee, Mr Tan is also in charge of our Quality System Management certification, Business Continuity Management System certification and Data Protection Trustmark. He graduated from National University of Singapore with a Bachelor of Technology (Industrial Management and Engineering) degree. He first joined us as an R&D officer and was then promoted to Head of Application Process and Engineering. He has a sound understanding and good track record of interpreting and ensuring compliance with rules, regulations and policies. As such, Mr Tan is an eminently suitable person to lead our sustainability efforts.

In FY2022, we renamed the Risk Management Committee, the Risk Management/Sustainability Committee to better reflect its function and responsibilities and to emphasize our attention to sustainability matters. The Risk Management Committee was set up to identify and address enterprise risks. A major but not immediately evident component of risk relates to sustainability matters. The Committee comprises three independent directors and two executive directors providing oversight and aligning Micro-Mechanics long term business objectives with significant ESG factors. Under the Risk Management/Sustainability Committee, a Sustainability Steering Committee was created to spearhead projects and initiatives related to ESG. It is jointly led by our Chief Operating Officer and Chief Financial Officer, who provide leadership, identification of key sustainability areas and setting of goals and targets for our sustainability projects.

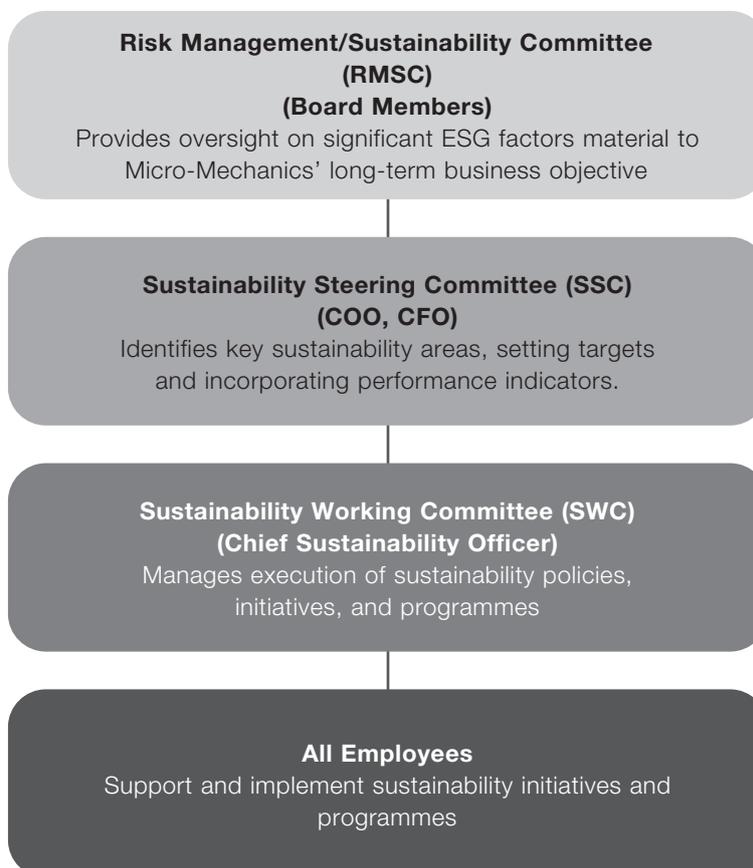
The Sustainability Steering Committee is supported by the Sustainability Working Committee (SWC), consisting of heads of departments from each manufacturing facility within Micro-Mechanics. The SWC is headed by Chief Sustainability Officer. It is responsible for the execution of sustainability policies, initiatives, and programmes. It is also their job to monitor and provide periodic updates and feedback on all sustainability projects. The governance structure described above is shown in the following chart:

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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## Sustainability Governance Structure



## MATERIALITY

Sustainability reporting seeks to highlight and bring attention to the impact of sustainability issues on the business. By identifying, measuring, and managing these risks and opportunities related to sustainability issues, we can build a sustainable and profitable business in long term.

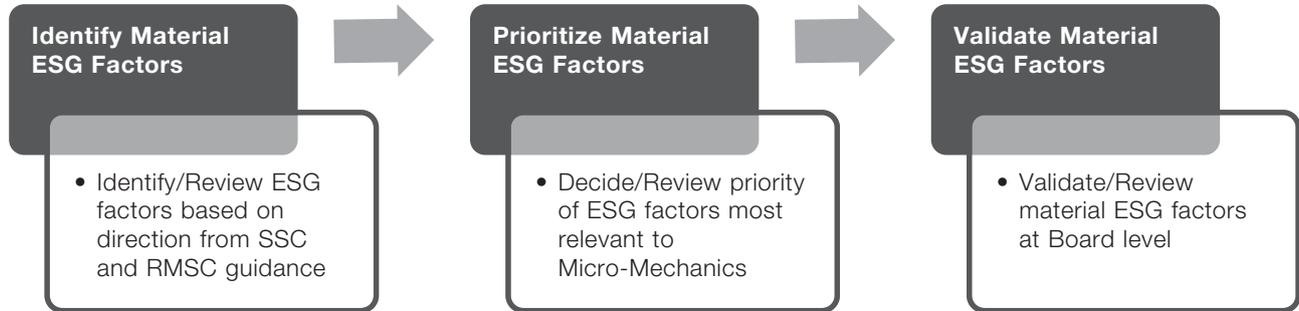
Our first materiality assessment was made in FY2018 when we identified and engaged internal stakeholders via a survey. The survey sought to delve into and sieve out factors which our stakeholders' thought were most important to them. The result of this survey identified the ESG factors most pertinent to our stakeholders. In addition, to this survey, we also conducted a materiality prioritisation workshop to determine the ESG factors that are material to our business. The results of the survey and workshop are presented in the materiality matrix where 8 of the most material factors were selected and validated by the Risk Management/Sustainability Committee, forming the focus of our sustainability efforts described in this report.

ESG matters identified and reported in the previous sustainability reports were reviewed and validated by the Board and confirmed to still be relevant in the current context.

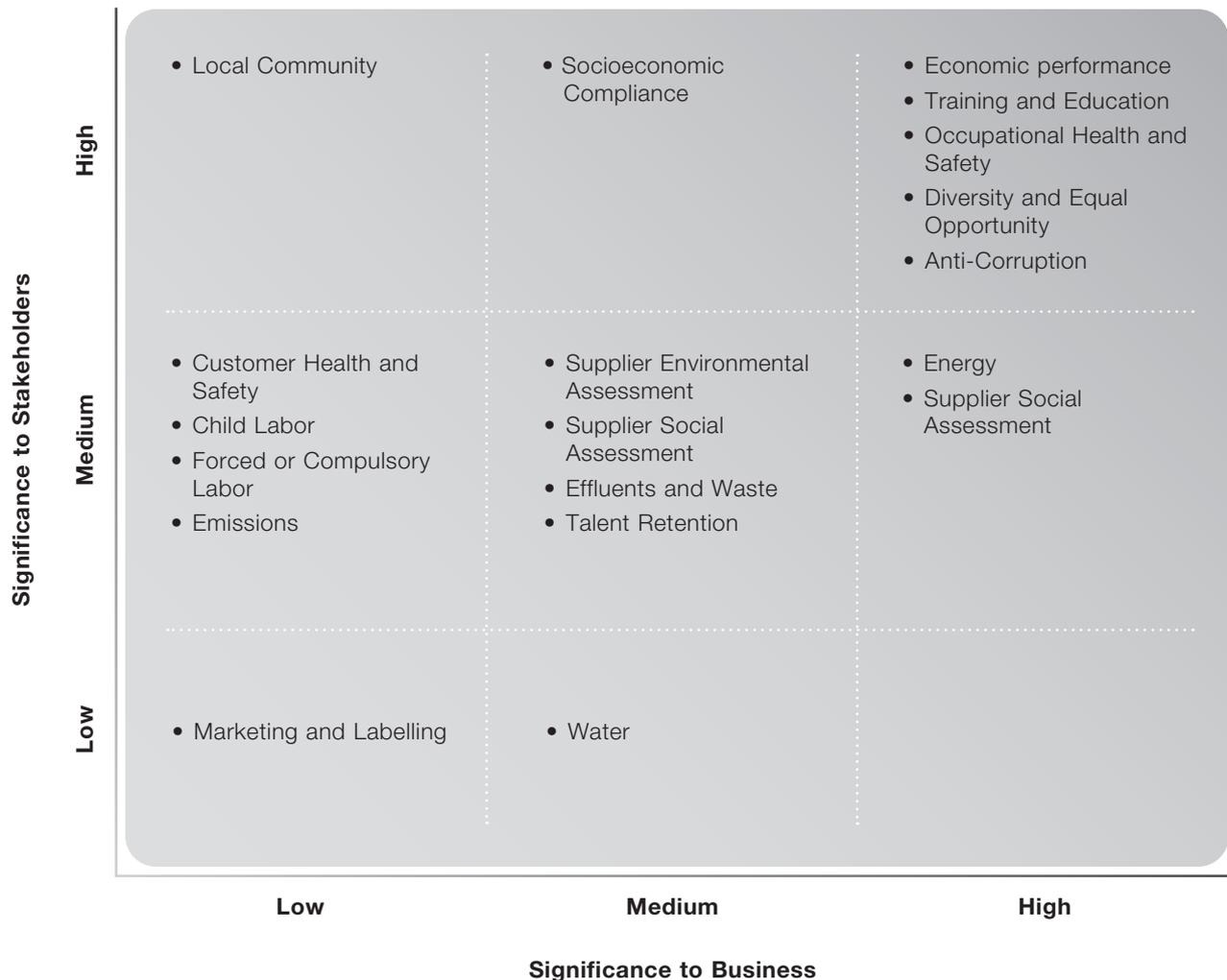
# SUSTAINABILITY REPORT

Year ended 30 June 2022

## Materiality Assessment Process



## Materiality Matrix



# SUSTAINABILITY REPORT

Year ended 30 June 2022

The material factors presented in this FY2022 sustainability report are as follows:

Material Factors	Corresponding Topics
<b>OUR OPERATIONS</b>	GRI 201: Economic Performance
	GRI 404: Training and Education
	GRI 403: Occupational Health & Safety
	GRI 405: Diversity and Equal Opportunity
	GRI 302: Energy
	GRI 413: Local Community
<b>OUR SUPPLY CHAIN</b>	GRI 308: Supplier Environmental Assessment
	GRI 414: Supplier Social Assessment
<b>GOVERNANCE</b>	GRI 205: Anti-corruption
	GRI 419: Socioeconomic compliance

All material factors are discussed in this sustainability report except for Economic Performance of the Company which is separately detailed in the financial statements in our Annual Report for FY2022.

## Stakeholder Engagement

Stakeholder engagement is important to our sustainability strategy as our actions can impact our stakeholders' assessment of our performance. Our selection of stakeholders is determined by the influence, dependency, representation and proximity between the stakeholders and our businesses, as well as our responsibility towards them.

Micro-Mechanics engaged our stakeholders through various channels to ensure our business interests are aligned with theirs. We constantly seek to address stakeholders' concerns in a manner that will improve our business operations and relationships for long-term growth and sustainability.

To ensure that the concerns and needs of our stakeholders are met and addressed, we have regular interactions with them and from these interactions, we are able to find out and understand their concerns. In addition, where appropriate, survey and questionnaire forms were sent to stakeholders to gather data relating to ESG factors relevant to our sustainability practices and targets.

# SUSTAINABILITY REPORT

Year ended 30 June 2022

Key stakeholders and how we interact with them are detailed below:

Stakeholders	Key Topics	Engagement methods
<b>Investors and shareholders</b>	<ul style="list-style-type: none"> <li>• Economic and financial performance</li> <li>• Business strategy</li> <li>• Relevant disclosure to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Media releases</li> <li>• Quarterly SGX announcements</li> <li>• Half-yearly results briefings for investors and media</li> <li>• Yearly AGM for shareholders</li> <li>• Annual Report</li> <li>• Ad hoc meetings and conference calls</li> <li>• Email communications – investor@micro-mechanics.com or via our Investor Relations Consultant</li> <li>• Company website with investor relations section</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employee engagement</li> <li>• Safety and healthy work environment</li> <li>• Training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Materiality prioritisation session</li> <li>• Company handbook- code of conduct</li> <li>• New Staff Orientation</li> <li>• Half-yearly Employee Improvement Dialogue with employees</li> <li>• Town hall meetings</li> <li>• Whistleblowing policy in place</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Compliance with the industry product standard</li> <li>• Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Customer visits by our sales personnel</li> <li>• Participation in Semiconductor trade shows</li> <li>• Customers' material safety compliance requirements such as Restriction of Hazardous Substance (RoHS), Registration, Evaluation, Authorisation and Restriction of Chemicals (Reach)</li> <li>• Yearly customers satisfaction survey</li> <li>• Factory visits by customers</li> <li>• Research and Development of proprietary materials and processes to keep pace with industry's stringent requirements</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Responsible business practices</li> <li>• Product quality assurance</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier selection process</li> <li>• Supplier assessment</li> <li>• Meetings with suppliers</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Anti-corruption and bribery</li> </ul>	<ul style="list-style-type: none"> <li>• Seminar/updates received from local government agencies</li> <li>• Internal processes are in place to ensure compliance with local government laws and regulations</li> <li>• Zero tolerance of non-compliance tone set by the top management</li> </ul>

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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<b>Local communities</b>	<ul style="list-style-type: none"><li>• Social development</li></ul>	<ul style="list-style-type: none"><li>• Compliance with local government laws and regulations such as pollution at surrounding factory areas, chemical discharge to drainage, etc.</li><li>• Help local employment by applying local first policy</li><li>• Participate in local community activities such as voluntary works and charitable activities</li></ul>
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## OUR OPERATIONS

### Training and Education

At Micro-Mechanics, we strongly believe that quality products are the result of robust processes and competent employees. It is crucial that our employees possess the requisite skills and knowledge to perform their jobs. Training of our employees is therefore essential to the manufacture of quality products. We identify, plan and review the effectiveness of the training provided to employees to ensure they are equipped with the know-how to do their jobs to the best of their abilities.

In addition to core skills and competencies, Micro-Mechanics also conducts training sessions on occupational health and safety, anti-bribery, quality management systems, first-aid skills and on-the-job training for new hired employees. We also actively seek out technical courses that will allow our employees to acquire competencies and technologies that will benefit both employees and the company.

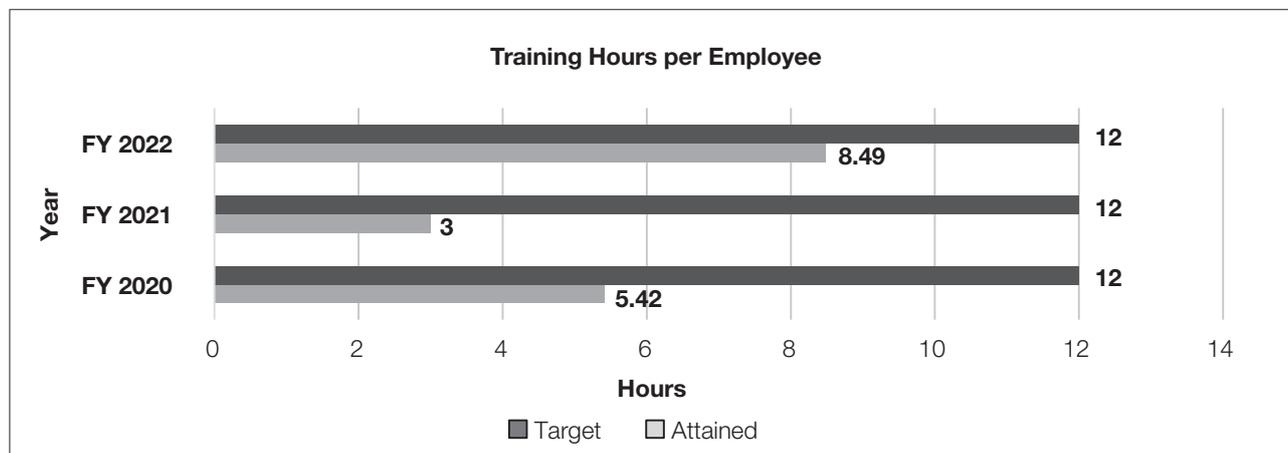
### Management Initiatives

- Training Needs Analysis to identify skill acquisition for employees
- Plan for training
- Sourcing for external training courses
- Review effectiveness of training attended
- Recording of organizational knowledge critical to the organization

# SUSTAINABILITY REPORT

Year ended 30 June 2022

## Performance data



During FY2022, we managed to achieve a total of 4,448 hours of training for 524 employees, including our executive directors. This equates to 8.49 hours of training conducted per employee. Although, we did not achieve our target of 12 hours of training per employee, we did considerably better compared to FY2021. The impact of Covid-19 pandemic on our training plans is still evident. As most of our training is conducted through hands-on guidance from trainers, this makes it challenging to plan and conduct training sessions. We are currently using technology to deliver selected training programs online for our employees, where applicable. We will maintain our target of 'Average 12 training hours per employee' for the next financial year.

Policies and Guides	Performance Indicators	Attainment in FY2022
Company's training policies in Employee Handbook	Average 12 training hours per employee	Average 8.49 training hours per employee

## Occupational Health and Safety

Micro-Mechanics is a people centric organization. There is great emphasis on safeguarding the health and safety of our employees, by providing a clean, safe and healthy working environment for them. We have a Health & Safety Committee to manage all health and safety matters in the organisation.

During the pandemic, we have constantly updated our people on the Covid-19 cases in the Company as well as our business conditions. There was no headcount reduction cost cutting. In fact, we continue to hire. A care-pack consist of masks, hand sanitiser, thermometer and Covid-19 testing kits were delivered to employees who contacted Covid-19 and their well-being including support for food and necessities were constantly monitored by Department head.

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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The Health and Safety Steering Committee is responsible for setting the direction and providing guidance and advice on health and safety matters. Country Safety Officers together with respective Department Rep help to support, and provide feedback and reports to the Steering Committee about workplace health and safety related matters and incidences at their respective facilities.

Internally, Micro-Mechanics has a 7S program which is unique and practised at all our manufacturing facilities. The 7S system covers a wide range of topics covering the basic 5S (Sort, Set in Order, Shine, Standardise and Sustain) in addition, Safety and Sustainability. Internal audits are conducted regularly to ensure that best practises are maintained and properly executed. Any findings are reported and corrective actions are taken to rectify the issues. 7S is a half-yearly KPI that is aligned with our in-house bonus incentive program to incentivise our employees' participation.

## Management Initiatives

- Identify and assessment of health and safety risks
- Mitigation plans for identified risks
- Review of effectiveness of mitigation plans
- Audit and review of health and safety conditions of the factory
- Training of employees on first aid techniques, use of AEDs and PPEs, safe handling of machines and fixtures
- Training dedicated teams to respond to emergency situations like chemical spills
- Inspection of safety fixtures and devices like machine guards, exhaust systems
- Proper disposal of chemicals and scrap materials to authorise vendors
- Yearly evacuation drills and BCM simulation crisis exercises
- Monitoring of occupational health diseases

# SUSTAINABILITY REPORT

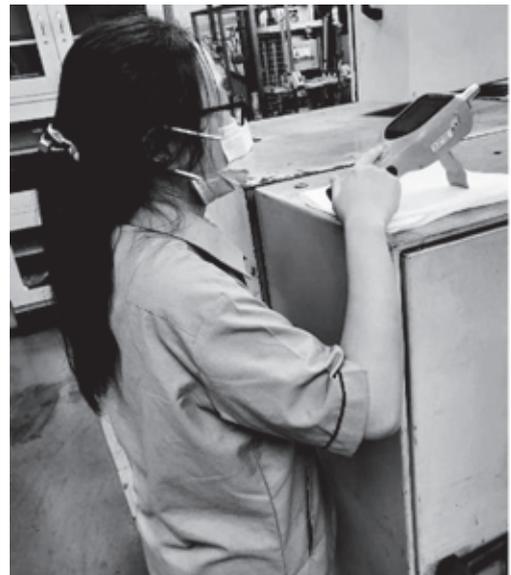
Year ended 30 June 2022

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- Incorporate 7S exercise into the bonus system
- Continued measures to protect employees from Covid-19 infection,
- Remote work arrangement for those who are not required to work in the factory
- Mandatory mask wearing during work hours.
- Twice-daily temperature screening
- Daily ventilation of workspaces
- Provision of hand sanitisers at entrances
- Daily sanitization of workspaces and common areas
- A safe distance of at least 1 meter between employees
- Provision of Covid-19 test kit to employees coming back to the workplace
- Weekly Covid-19 self-testing
- All visitors to register and declare travel history and symptoms
- Engage professionals to clean and sanitize the entire factory regularly

## Ensuring Cleaner Air for Employees

During FY2021, a potential health hazard was identified by the 7S team in Singapore. It was found that some of the manufacturing processes conducted by the company are generating tiny particles. As such, the 7S team launched a study to monitor and improve indoor air quality. We first identified possible sources through risk assessments of all processes. We next focused on the machining processes which generated the most particles and measured the air quality before, during and after each process. We will measure and explore ways and means to improve the air quality to protect our employees from tiny particles generated from these processes. The project is still on-going and will be completed by fourth quarter of FY2023.



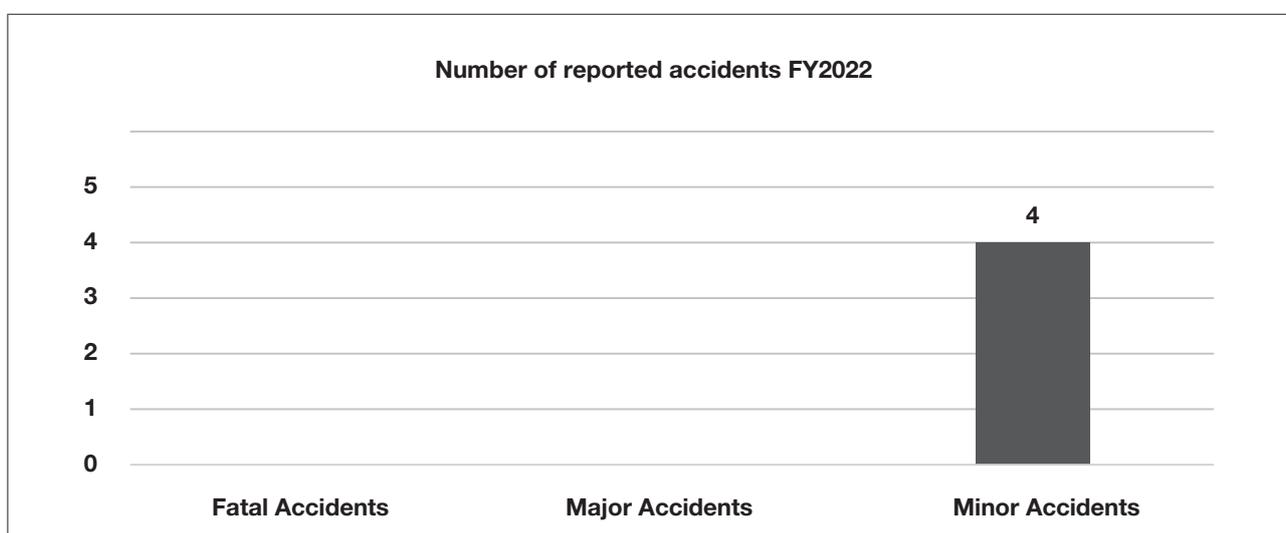
Study of Air Quality during operations

# SUSTAINABILITY REPORT

Year ended 30 June 2022

In this report, we include details of work-related injuries and illnesses. During the year, Micro-Mechanics reported no fatal accidents, no major accidents and 4 minor accidents. Major accidents are defined as accidents resulting in severe injuries or disabilities but are not fatal, severity being assessed by reference to the nature of injuries, body part affected or disability resulting, incident type and duration and type of medical leave given. By way of illustration, examples of major accidents would include, amputation, blindness, exposure to electric current and concussion with more than 20 days medical leave. Minor accidents are those resulting in more minor injuries and any which give rise to any medical leave or light duties. We have clocked a total of 1,060,000 hours for FY2022 and achieved an injury rate of 0.755 injuries per 200,000 hours worked. We document and learn from every incident and thrive to ensure similar accidents do not occur.

## Performance data



Policies and Guides	Performance Indicators	Attainment in FY2022
Environment, Health and Safety Handbook	Zero Fatal Accidents Zero Major Accidents Zero Minor Accidents	Zero Fatal Accidents Zero Major Accidents Four Minor Accidents

We will strive to maintain this record and shall of course continue to stringently apply and abide by the existing official health and safety policies and enhance our in-house health and safety procedures.

## Diversity and Equal Opportunity

Micro-Mechanics practises fair employment principles focusing on being open, merit based and non-discriminatory. Recruitment of potential employees is based on their skills, knowledge, and competencies and not on their race, gender, age and religion. By applying fair employment principles, Micro-Mechanics aims to build an organization where all employees are respected and valued.

# SUSTAINABILITY REPORT

Year ended 30 June 2022

## Human resource policy

Our Employee Handbook details our approach to diversity and equal opportunity within the organisation. Employees can reference the handbook to gather information on Micro-Mechanics' hiring practices, advancement and career opportunities in the Company.

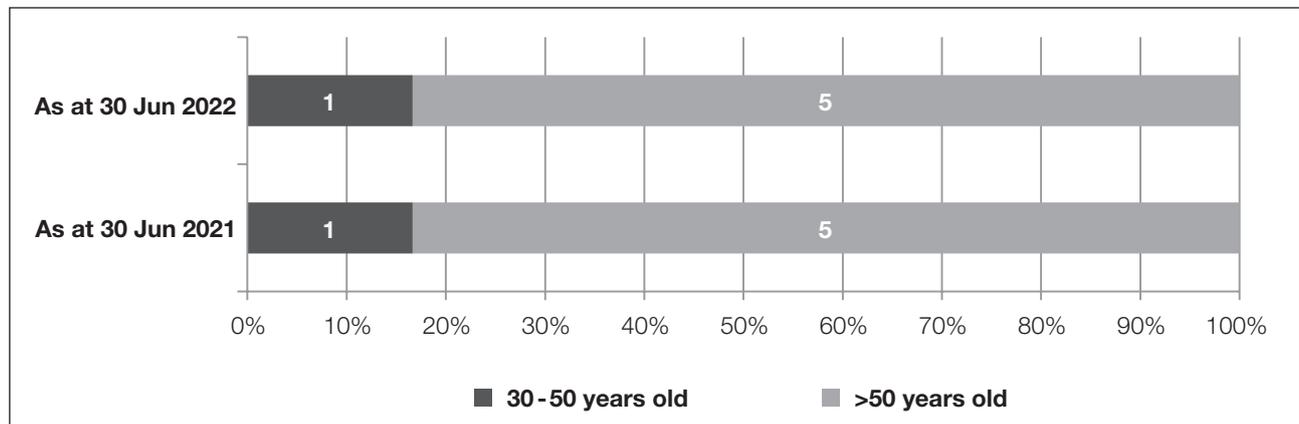
## Management Initiatives

- Preferential consideration of suitable internal staff for any open positions before seeking external candidates
- Adherence to "local first" employment policies
- Diversity and equal opportunity practices at all levels including positions at Board level
- Consideration of local candidates who are physical challenged for appropriate job positions in the organisation's recruitment exercises

## Performance Data

Micro-Mechanics targets to maintain a balanced mix of genders within the total workforce. Our target is to ensure significant representation in gender throughout the organization.

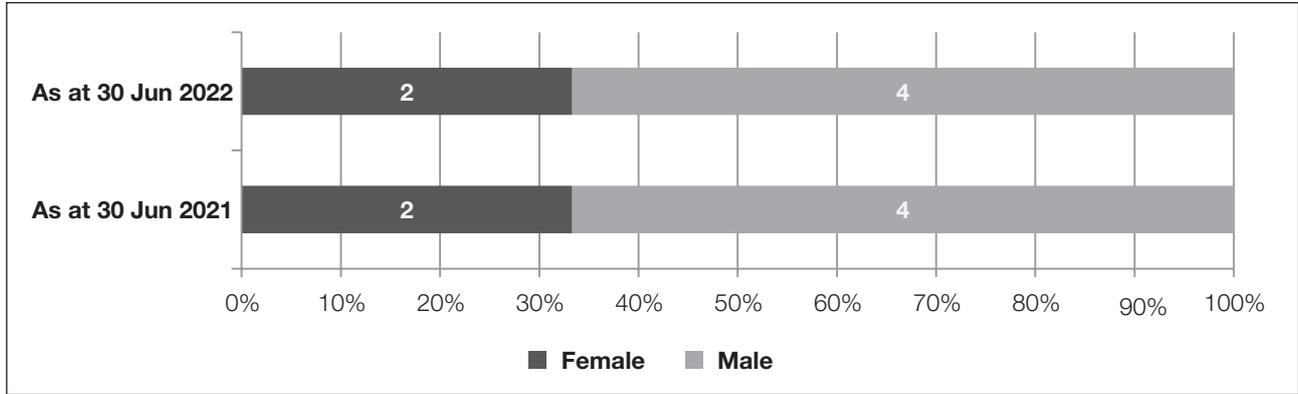
## Board Diversity (Age)



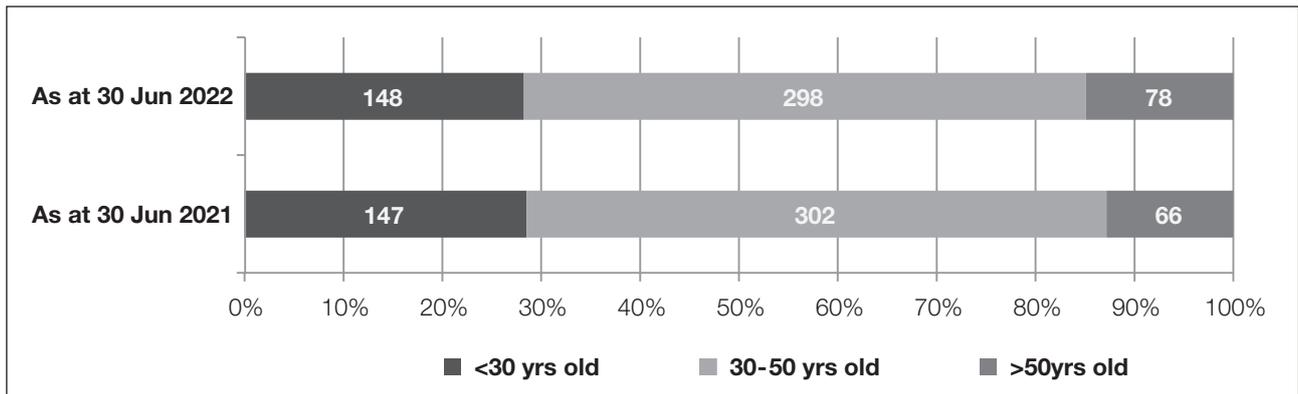
# SUSTAINABILITY REPORT

Year ended 30 June 2022

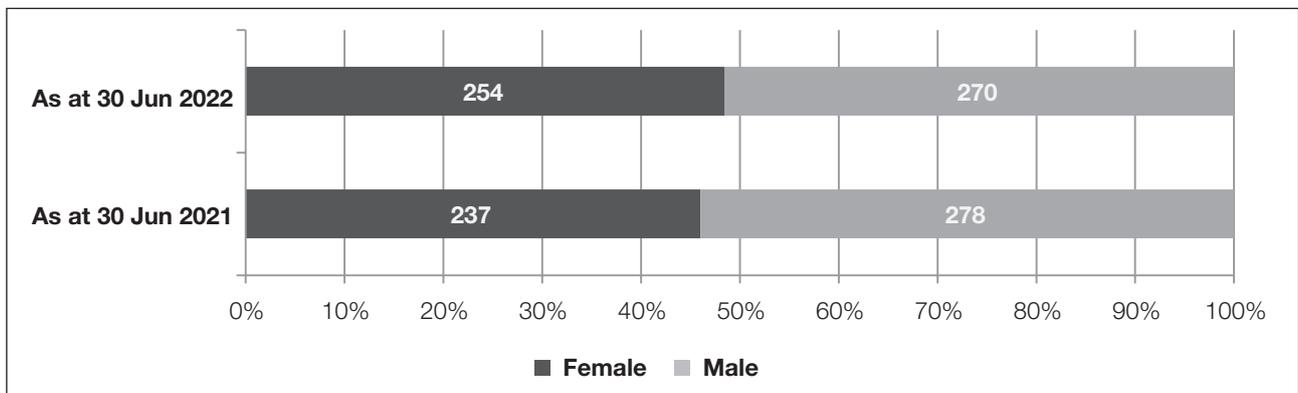
## Board Diversity (Gender)



## Employee Diversity (Age)



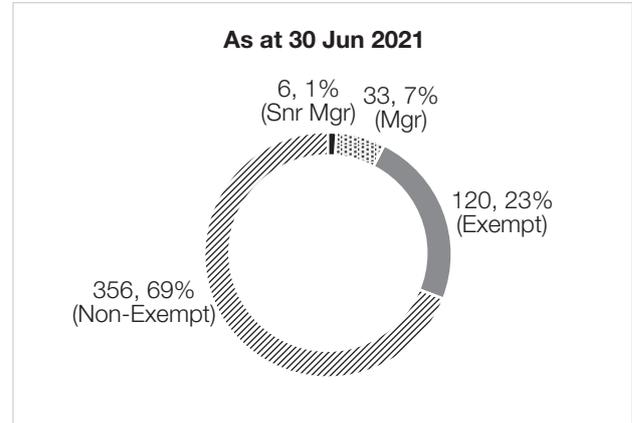
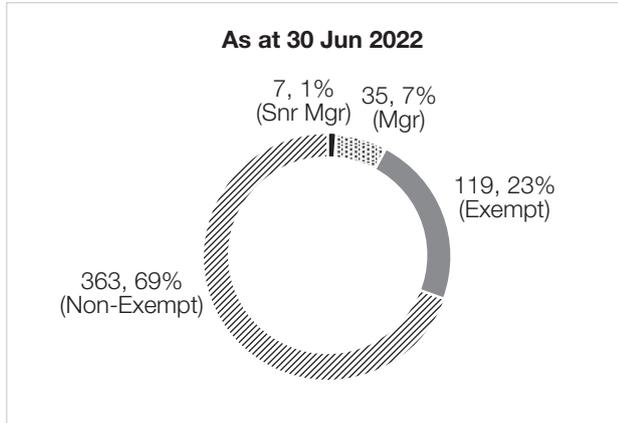
## Employee Diversity (Gender)



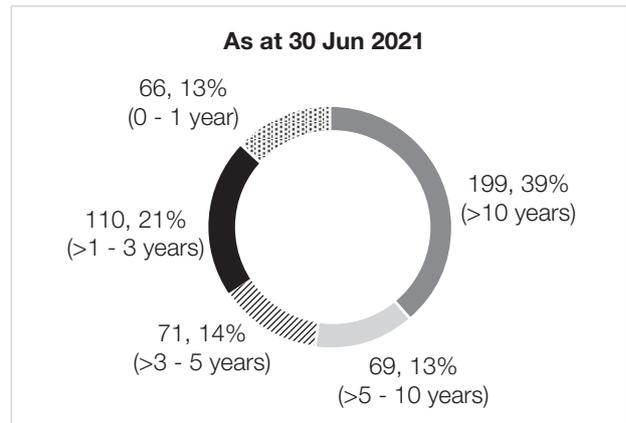
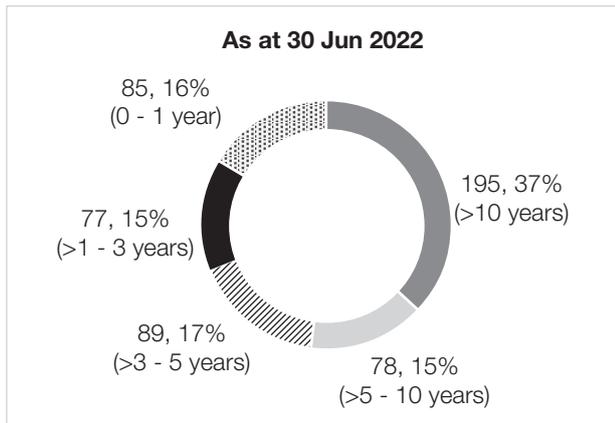
# SUSTAINABILITY REPORT

Year ended 30 June 2022

## Employee profile by Organisation Hierarchy



## Employee profile by Years of Service



Policies and Guides	Performance Indicators	Attainment in FY2022
Employee handbook on human resource policies	Maintain a balanced gender equality total work force of not less than 40% in either gender	Total workforce: Female – 43% Male – 57%

After our review in FY2022, there is a good diversity in our work force across all factors including gender, age, job hierarchy level as well as length of service. We aim to be an equal opportunity to all employee.

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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## Energy

The impact of climate driven risk cannot be overlooked as Micro-Mechanics has worldwide operations and customers. According to the report of the Inter-governmental Panel on Climate Change (IPCC), the average global temperature has risen by 1.0°C above pre-industrial levels. If left unchecked, scientists predict that sea levels will rise and climate related adverse events such as flooding, droughts, bush fires will occur more frequently and fiercely.

The main driver of climate change is the greenhouse gas emissions from human activities. Micro-Mechanics' business operations depend on electricity supplied by the local utility authority or vendor. Energy consumed by Micro-Mechanics' operations comes mostly from non-renewable fossil fuels, depending on method of production of the local utilities. Energy purchased from the utilities are mainly used to run machines for our production as well as for our offices. It is important to use the energy in an efficient manner, while looking for ways to implement alternative, greener energy sources.

## Management Initiatives

Our energy conservation efforts are ongoing and they include the followings:

- Review work processes to incorporate energy conservation methods
- Monitor and check electrical energy consumption for unusual deviations
- Maintain machineries regularly to ensure efficiencies and optimum energy performance
- Regular education of employees on energy saving practices for machines and equipments
- Energy saving feature included as criteria for purchase of new machineries and equipments
- Constant reminders about energy saving practices at the worksites such as lights off during lunch, using energy savings fluorescent tube, etc
- Use of solar energy to reduce consumption from the normal source at our USA office
- Use of water saving system to reduce water resource consumption at our USA office
- Explore alternative green energy sources

## Solar Electricity Generation

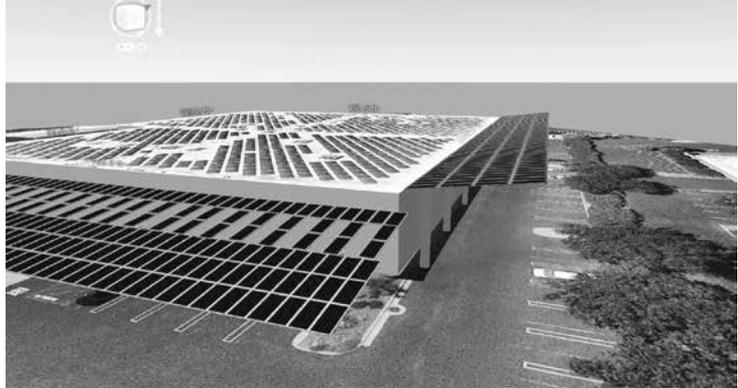
At our plant in the USA, we have successfully implemented solar energy to reduce our reliance on fossil fuel. These solar panels currently generate 53% of MMUS' total energy needs. As such we are planning to increase the number of solar panels by 25%. As MMUS is renting the building for its plant, the cost of the upgrade will be borne by the landlord. With the increase in the number of solar panels, we estimate that the energy generated will cover up to 65% of MMUS' energy requirements. There is also an added benefit of passive cooling from the shade created by the solar panels, further reducing cooling costs in the summer months.

# SUSTAINABILITY REPORT

Year ended 30 June 2022



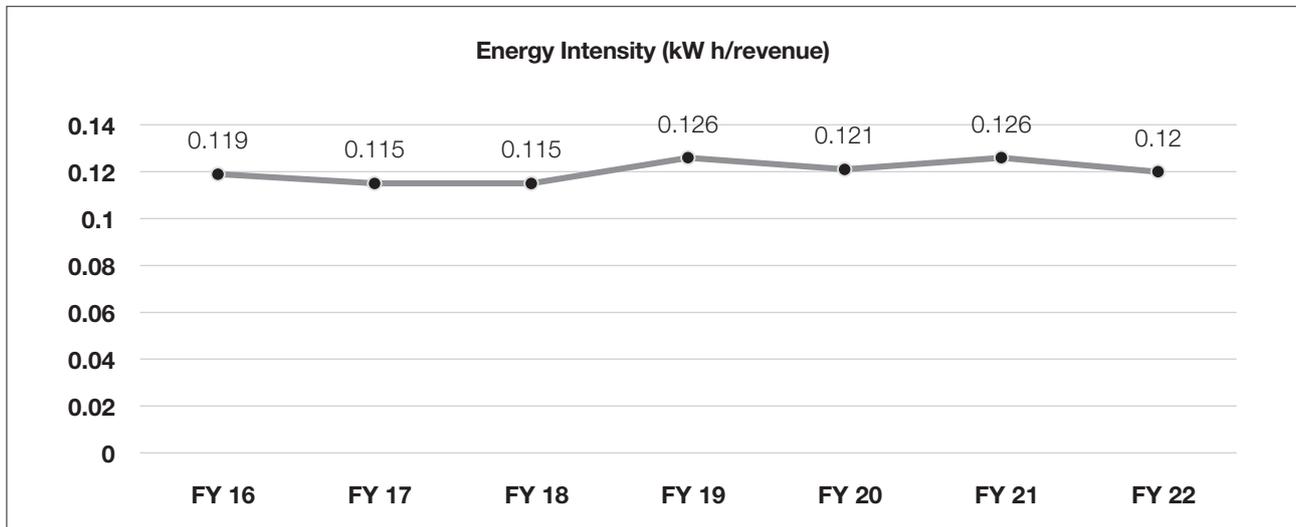
Current placement of solar panels



Proposed additional solar panels

## Performance data

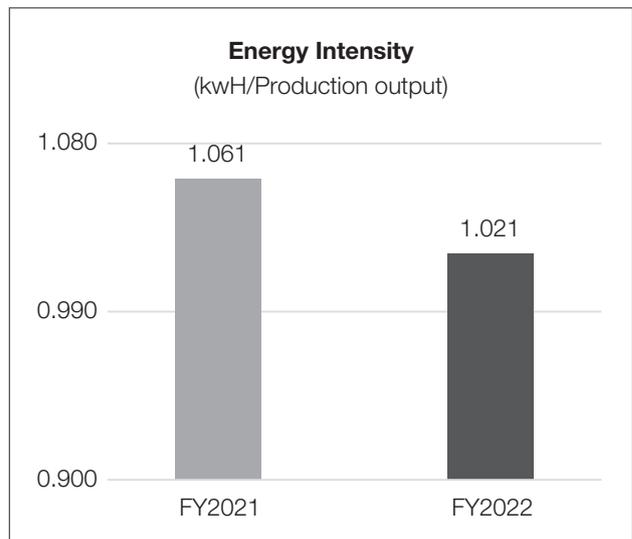
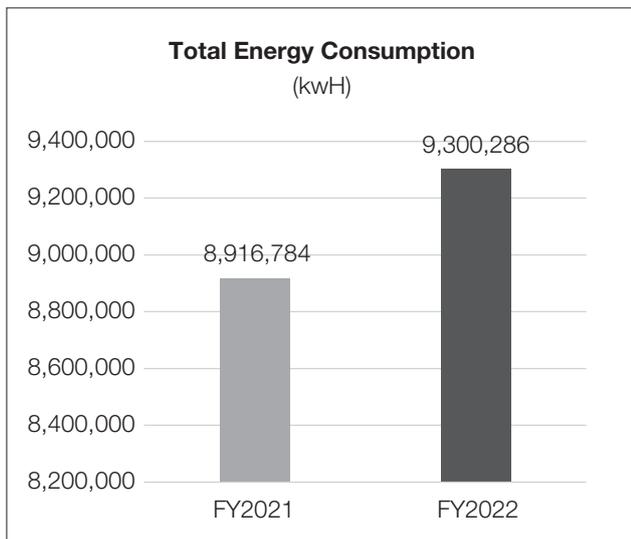
Energy intensity measures how efficiently we use energy. During FY2022, our target energy intensity cap was set at no higher than 10% of energy intensity of previous financial year. To achieve this target, we aimed to reduce energy use by increasing operating efficiencies. We are pleased to report that in FY2022, Micro-Mechanics achieved 0.12kWh/revenue, which was within our target of 0.139kWh/revenue. While we have used 4.1% less energy intensity in FY2022 compared to FY2021, we believe that we will be able to keep our energy intensity to below 0.131kWh/revenue for FY2023 (within 10% of FY2022 energy intensity target).



Note: Revenue is converted to functional currency

# SUSTAINABILITY REPORT

Year ended 30 June 2022



Policies and Guides	Performance Indicators	Attainment in FY2022
Work instruction for Resource Conservation	Within 10% of FY2021 energy intensity. FY2022 target energy intensity no higher than 0.139 kW h/revenue	0.12kW h/revenue

## Local Community Engagement

### Tone from the top

Our executive directors set a good example of participating actively to contribute their personal time and finance to support the local community.

### Mr. Borch, CEO

In 2007, Mr. Borch and his family established Borch Foundation (“BF”), a not-for-profit charitable corporation. Over the years, the Borchs have made gifts of both cash and stock in Micro-Mechanics (Holdings) Ltd to BF and through their foundation are actively involved in supporting matters involving education, community services and environmental sustainability. Currently, Mr. Borch also serves on the Dean’s Board of the Viterbi School of Engineering at the University of Southern California, one of the top-ranked engineering schools in the USA with a strong focus on finding solutions to the world’s most pressing problems.

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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## Mr. Low, COO

In 2012, Mr. Low established a bursary fund with the Singapore Polytechnic Graduate Guild Endowment to support students in need of financial assistance. Mr. Low is also the Distinguished Patron for Loving Heart Multi-Service Centre that serves the residents and needy students. In 2015, Ming Wah established a Study Grant with the Singapore Institute of Technology to be given to deserving and financially disadvantaged full-time undergraduates of the institute. In 2017, Ming Wah established a scholarship with Singapore University of Technology and Design to promote meritocratic access to education and provide opportunities to students with demonstrated financial need.

Currently, Mr. Low is the Immediate Past Chairman of the Singapore Precision Engineering & Technology Association (SPETA). He served as the Chairman of SPETA (2017-2021), board member of Enterprise Singapore (2018-2020) and member of FEC Manufacturing Sub-committee under EDB (2017-2019). He also served as the member of the SMEC main committee under Singapore Business Federation (2020-2022).

## Mr. Chow, CFO

Currently, Mr Chow is Committee Member of CFO Committee of Australia CPA (Singapore). He served as Audit Committee Member of Singapore Chinese Orchestra (2013- 2017), Committee Member of the Corporate Governance Committee of Institute of Singapore Chartered Accountants (ISCA) (2014 -2020), Committee Member of CFO Committee of ISCA (2008- 2014) and Advisory Council Member of Singapore CFO Institute under Singapore Accountancy Commission (2015- 2017).

## Community Engagement Activities

During FY2022, we participated in the activities listed below.

### MMS

The Singapore subsidiary made donation to Special Olympics Singapore, an organisation that is part of a global organisation that serves athletes with intellectual disabilities.



MMS Factory Manager at  
Special Olympics

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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## MMP

Our Penang plant held a charitable event by collecting food, essential items, and clothing and distributed them to selected non-profit charities, Eden Handicap Services Bhd and Maahad Tafi Darul Rahmah Wak'Adnaniah, in addition to cash donation.



MMP volunteers at Eden Handicap Services Bhd.



MMP volunteers at Maahad Tafiz Darul

## MMUS

At USA plant, our people have assisted the Spartan Racing student chapter of SAE International at San Jose State University in their competition to design, build and test new vehicle. This helps to enrich engineering education by providing practical supplements to theoretical coursework, broaden learning experience and generating internship and job opportunities for students.



Blood donation and some activities that other subsidiaries had planned were not executed due to the local restrictions related to the pandemic. For the safety of our employees, we decided to postpone some community activities.

# SUSTAINABILITY REPORT

Year ended 30 June 2022

<b>Policies and Guides</b>	<b>Performance Indicators</b>	<b>Attainment in FY2022</b>
Micro-Mechanics' Company Handbook	At least five social community activities annually	Three social community activities conducted

## OUR SUPPLY CHAIN

### Supplier Social and Environmental Assessment

For FY2022, Materials and Supplier Social Assessment topics in last year's report are combined to be in line with GRI reporting requirements.

Due to the nature of the industry that we serve, Micro-Mechanics complies strictly with the requirements outlined in both Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) directives. We also practise Responsible Business Alliance (RBA) policies and principles.

To ensure products manufactured are in compliance with these requirements and standards, Micro-Mechanics expects our suppliers to follow the same rules and regulations. We require our suppliers to provide Certificates of Conformance (COC) and Material Safety Data Sheet (MSDS) to prove compliances. We also require the suppliers in our preferred supplier list to adopt RBA principles and guidelines. We audit selected suppliers periodically to ensure our supply chain is aligned with our requirements.

### Management Initiatives

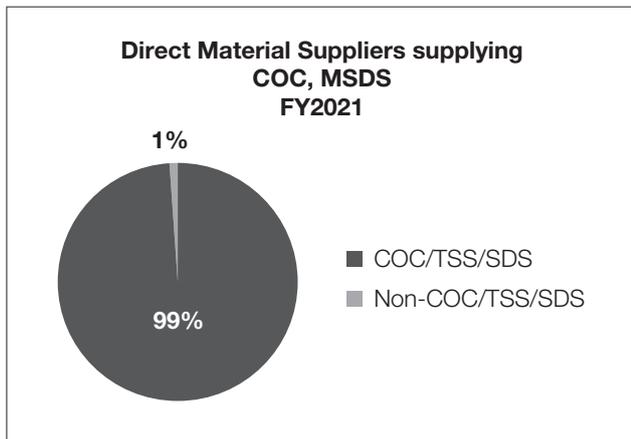
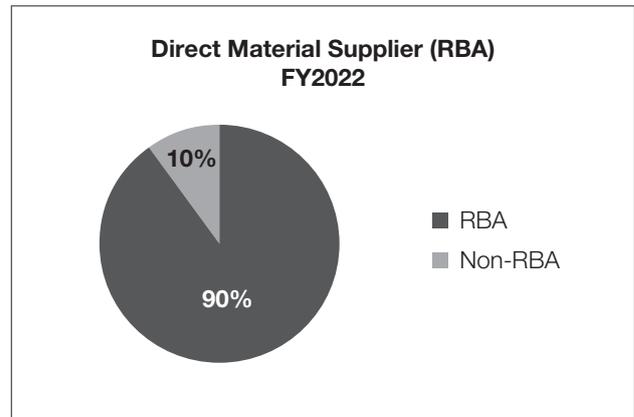
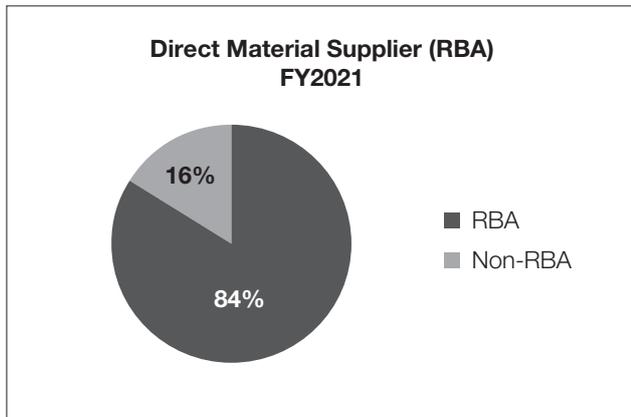
- Adoption of RoHS, REACH and RBA principles and guidelines is required for our suppliers
- Annual assessment and audit of direct material suppliers on the adherence of RoHS, REACH and RBA principles and guidelines
- Update our suppliers on any non-conformance found and require non-conformance report and corrective action to be taken
- Detailed documentation to be provided upon delivery of goods, these documents to include COC and MSDS
- Source and purchase locally where possible to reduce carbon footprint

### Performance Data

To ensure our supply chain aligns with our goals, we require at least 80% of direct material suppliers to furnish us with a COC and/or MSDS for review to ensure RoHS and REACH compliance, in addition to a letter of declaration that they will adhere to RBA principles.

# SUSTAINABILITY REPORT

Year ended 30 June 2022



Policies and Guides	Performance Indicators	Attainment in FY2022
<p>Certificate of Conformance (COC) and/or Material Safety Data Sheets (MSDS) to be provided upon delivery of goods</p> <p>Letter of declaration to adhere to RBA principles</p>	<p>80% of direct material suppliers provide us COC, MSDS upon delivery of goods</p> <p>80% of direct material suppliers, sign and provide a letter of declaration that they will adhere to RBA principles</p>	<p>100% of direct material suppliers sent us COC and/or MSDS upon delivery of goods</p> <p>90% of direct material suppliers have sent us the letter of declaration to adhere to RBA principles</p>

# SUSTAINABILITY REPORT

Year ended 30 June 2022

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## GOVERNANCE

### Anti-corruption

At Micro-Mechanics we know that building trust and reputation is an onerous task. This trust is fragile and, if misplaced, hard to rebuild. Micro-Mechanics, uses ISO 37001 as a framework to develop and build an anti-bribery system. Processes were developed to identify and mitigate potential corporate risks. By implementing globally recognised anti-bribery good practices, Micro-Mechanics aims to uphold a zero-tolerance policy on bribery incidents.

### Management Initiatives

- Actively communicate compliance policies and procedures about anti-bribery, gifts and hospitality, conflict of interest, code of conduct, insider trading, amongst others to all employees and directors
- Periodic notification of business partners and associates of our Supplier Code of Conduct and obtaining their declarations regarding our Company practices relating to legal compliance and anti-corruption etc
- Reinforcing to business partners and suppliers that Micro-Mechanics will only conduct business with reputable organisations
- Updated employee mandatory declaration of legal compliance and lack of corruption their dealings on behalf of the Company and reminding the employees that any breach would result in termination of employment
- Third party audit of company procedures and practices in accordance to ABMS (Anti-Bribery Management System) guidelines

### Performance Data

We are pleased to report zero incidents of corruption and breaches of laws and regulations for FY2022 and aim to report the same again in the coming year. We will continue to perpetuate awareness of unacceptable corrupt practices by periodic reminders to all employees and monitor compliance with our policies as well as applicable laws and regulations.

Policies and Guides	Performance Indicators	Attainment in FY2022
Micro-Mechanics Company Handbook	Zero incidents of corruption and non-compliance of rules and regulations	Zero incident reported

### Socio-economic Compliance

The cornerstone of a great business is its ability to serve customers continually and reliably. We strive to conduct business in a transparent and upright manner. In FY2022, we have complied with all laws and regulations in the social and economic areas. As a result, Micro-Mechanics did not incur any fines or non-monetary sanctions due to non-compliance of laws and regulations.

Policies and Guides	Performance Indicators	Attainment in FY2022
Micro-Mechanics Company Handbook	Zero incidents of non-compliance to applicable laws and regulations Attainment in FY2022	Zero incident reported

# SUSTAINABILITY REPORT

Year ended 30 June 2022

## GRI CONTENT INDEX

GRI Standards		Notes/Page number(s)
<b>General Disclosures</b>		
<b>Organisational Profile</b>		
102-1	Name of the organisation	Micro-Mechanics (Holdings) Ltd
102-2	Activities, brands, products, and services	Corporate Profile, inside cover
102-3	Location of headquarter	Corporate Profile, inside cover
102-4	Location of operations	Corporate Profile, inside cover Notes to the Financial Statements, page 121-122
102-5	Ownership and legal form	Corporate Profile, inside cover Notes to the Financial Statements, page 101
102-6	Markets served	Corporate Profile, inside cover
102-7	Scale of the organisation	Corporate Profile, inside cover Executive Management Report, page 3-5 Financial Highlights, page 8-9 Diversity and Equal Opportunity, page 26-29
102-8	Information on employees and other workers	Diversity and Equal Opportunity, page 26-29 Micro-Mechanics (Holdings) Ltd does not have significant portion of its activities being carried out by workers who are not employees.
102-9	Supply chain	Our supply chain, page 35-36
102-10	Significant changes to organisation and its supply chain	No significant changes during FY2022.
102-11	Precautionary principle or approach	Micro-Mechanics (Holdings) Ltd does not specifically address the principles of the precautionary approach.
102-12	External initiatives	Our Awards and Accolades, page 6-7 Occupational, Health and Safety, page 23-26 Our supply chain, page 35-36 Diversity and Equal Opportunity, page 26-29
102-13	Membership of associations	Singapore Business Federation Singapore Precision Engineering and Technology Association
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Board Statement, page 15
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	Board Statement, page 15 Corporate Governance Report, page 41-69 Compliance with Laws and Regulations, including Anti-corruption, page 37

# SUSTAINABILITY REPORT

Year ended 30 June 2022

GRI Standards		Notes/Page number(s)
<b>Governance</b>		
102-18	Governance structure	Sustainability governance, page 17-18
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	Stakeholder Engagement, page 20-22
102-41	Collective bargaining agreements	There are no collective bargaining agreements in place at Micro-Mechanics (Holdings) Ltd.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, page 20-22
102-43	Approach to stakeholder engagement	Stakeholder Engagement, page 20-22
102-44	Key topics and concerns raised	Stakeholder Engagement, page 20-22
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statements, page 101
102-46	Defining report content and topic Boundaries	About this Report, page 14. Materiality, page 18-20 All ESG factors are relevant within our organisation
102-47	List of material topics	Materiality, page 18-20
102-48	Restatements of information	This is the fifth Sustainability Report published by Micro-Mechanics (Holdings) Ltd.
102-49	Changes in reporting	A new metric reported under the heading, Occupational Health and Safety to monitor and record the number of accidents within the company, page 23-26
102-50	Reporting period	About This Report, page 14
102-51	Date of most recent report	About This Report, page 14
102-52	Reporting cycle	About this Report, page 14
102-53	Contact point for questions regarding the report	About this Report, page 14
102-54	Claims of reporting in accordance with GRI Standards	About this Report, page 14
102-55	GRI content index	GRI Index, page 38-40
102-56	External assurance	Micro-Mechanics (Holdings) Ltd has not sought external assurance for this reporting period and may consider it for future periods.
<b>Management Approach</b>		
103-1	Explanation of the material topic and its boundary	Sustainability Governance, page 17-18 Materiality, page 18-20
103-2	The management approach and its components	Materiality and management initiatives are discussed within the section for each material factor, page 14-37
103-3	Evaluation of the management approach	

# SUSTAINABILITY REPORT

Year ended 30 June 2022

GRI Standards		Notes/Page number(s)
<b>Material Topics</b>		
<b>Economic Performance</b>		
201-1	Direct economic value generated and distributed	Financial Highlights, page 8-9
<b>Anti-corruption</b>		
205-3	Confirmed incidents of corruption and actions taken	Governance, page 37
<b>Energy</b>		
302-1	Energy consumption within the organisation	Energy, page 30-32
302-3	Energy intensity	Energy, page 30-32 Energy disclosed in this report refers to purchase electricity only
<b>Occupational Health and Safety</b>		
403-2	Types of injury and rates of injury, occupational diseases, lose days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety, page 23-26
<b>Training and Education</b>		
404-1	Average hours of training per year per employee	Training and Education, page 22-23
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Education, page 22-23
<b>Supplier Social Assessment</b>		
414-1	New suppliers that were screened using social criteria	Our Supply Chain, page 35-36
<b>Diversity and Equal Opportunity</b>		
405-1	Diversity of employees and governance bodies	Diversity and equal opportunity, page 26-29
<b>Local Communities</b>		
413-1	Operations with local community engagement, impact assessments, and development programs	Local community engagement, page 32-35
<b>Socioeconomic Compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	Governance, page 37

# CORPORATE GOVERNANCE

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The Board of Directors and management of Micro-Mechanics (Holdings) Ltd. (the “**Company**”) are committed to a high standard of corporate governance and transparency, and to the protection of shareholders' interests. The Company's corporate governance policies and processes are in line with the revised Code of Corporate Governance and accompanying Practice Guidance released in August 2018, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

This report describes the Company's corporate governance policies and processes for the financial year ended 30 June 2022 (“**FY2022**”) with specific reference made to the principles and provisions of the Code. The Company has complied with most of the provisions and guidelines of the Code. Explanations for non-compliance are provided in this statement.

## HIGHLIGHTS

1. In the latest Singapore Governance and Transparency Index (SGTI) 2022 released on 3 August 2022, Micro-Mechanics ranked 13th (15th in 2021) out of 489 SGX listed companies under the general category
2. In August 2022, the Company was included in the list of Forbes Asia 200 Best under a Billion Companies
3. In February 2022, our Singapore plant was awarded the Data Protection Trustmark certified by Infocomm Media Development Authority
4. In June 2022, our Singapore plant operations was successfully re-examined as conforming to the Anti-Bribery Management System standard ISO37001:2016
5. In May 2022, our Singapore plant operations successfully renewed the certification of Business Continuity Management System standard ISO22301:2012
6. In FY 2022, the Risk Management Committee was renamed as the Risk Management/Sustainability Committee
7. On 1 March 2022, a Chief Sustainability Officer was appointed to report directly to the Risk Management/Sustainability Committee

## BOARD MATTERS

### Features of our Board

- Separation of the role of Chairman and CEO
- Three out of six directors are independent and non-executive
- Two out of six directors are female
- All directors are not related to each other
- Diversity of professional background including lawyers, chartered accountants and engineers
- Chairman of the Board and all Committees are independent and non-executive

# CORPORATE GOVERNANCE

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## **The Board's Conduct on Affairs**

**Principle 1:** *The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

### **Provision 1.1**

#### **Board responsibilities**

As fiduciaries, all the directors objectively discharge their duties and responsibilities at all times in the interests of the company.

The Board believes that its primary role is to protect and enhance long-term shareholder value. To this end, it sets the overall strategy for the Company and its subsidiaries (collectively, the "**Group**") and oversees management. To fulfill these objectives, the Board takes full responsibility for implementing and maintaining sound ethics and corporate governance practices for the Group. The Board provides leadership, sets strategic direction, establishes a framework of prudent and effective controls, risk policies and procedures, and requires goals from management as well as monitors the achievement of those goals.

We have a code of conduct and ethics which are incorporated into our company's handbook. All employees including executive directors have to strictly comply with the code of conduct and ethics. Orientation training will also be conducted for new employees to help them to understand our company culture as well as our code of conduct and ethics.

Directors abstain from discussion and decision making on any matter relating to them. This is to avoid any conflict of interests, such as Remuneration Committee to justify the remuneration of executive directors and Nominating Committee to evaluate the performance of the retired director who is suitable for re-election. Directors who are involved will abstain from decision making and voting. Any related parties' transactions are fully disclosed and approved by the Board and the directors involved will abstain from approval process.

### **Provision 1.2**

#### **Training**

The Board recognizes the importance of appropriate orientation training and continuing education for its directors. Newly appointed directors are fully briefed as to the business activities of the Group and its strategic directions. Newly appointed directors receive a formal letter explaining their statutory duties and responsibilities as a director. A director who has no prior experience as a director of an entity listed on the Exchange must undergo training in the roles and responsibilities of a director of a listed entity as prescribed by the Exchange.

The directors are also updated in a timely manner on regulatory changes which have a bearing on the Company and the directors' obligations towards the Company by the Chief Financial Officer ("**CFO**") who is also the Company Secretary.

All directors are required to have at least 8 hours of continuous development every year which will be fully paid by the Company. In FY2022, all the directors confirmed that they had achieved this requirement.

# CORPORATE GOVERNANCE

## **Provision 1.3**

### **Internal guidelines**

The Board regularly reviews all matters within its purview including but not limited to business strategies, development plans and the performance of the Group. Reviews are also made of the annual budget, announcements of financial results, annual reports, performance bonus incentives and any acquisition or disposal of material assets. There are comprehensive internal guidelines on matters that require the Board's approval, such as directors dealing in company's shares, changes in the Company's constitution and structure, material capital commitments, commencing and defending litigation etc. These internal guidelines are reviewed and approved by the Board annually.

## **Provision 1.4**

### **Delegated Committees**

To assist in the execution of its responsibilities, the Board has established the following committees, namely an Audit Committee, a Nominating Committee, a Remuneration Committee and a Risk Management/Sustainability Committee. These committees are chaired by independent and non-executive directors and function within clearly defined terms of reference and operating procedures. The Board and the Committees meet regularly and, if necessary, on an ad hoc basis.

## **Provision 1.5**

### **Attendances and number of meetings**

To facilitate the ease, frequency and speed of Board/Committee meetings, the Company's Constitution allows Board/Committee members to attend meetings via any electronic or telegraphic methods of simultaneous communication including via tele-conference

The following table shows the number of meetings held and directors' attendances during the financial year under review. All directors achieved full attendance.

	<b>Board</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nominating Committee</b>	<b>Risk Mgt/ Sustainability Committee</b>	<b>AGM</b>
<b>Number of meetings held</b>	4	5	3	2	4	1
<b>Directors:</b>						
			<b>Number of Meetings Attended</b>			
Christopher Reid Borch	4	1*	1*	NA	NA	1
Low Ming Wah	4	1*	2*	NA	4	1
Chow Kam Wing	4	5**	3**	2**	4	1
Sumitri Mirnalini Menon @ Rabia	4	5	3	2	4	1
Lai Chin Yee	4	5	3	2	4	1
Kenny Kwan Yew Kwong	4	5	3	2	4	1

NA – not applicable as the director was not a member of the Committee at the time of meeting

\* – attendance by invitation of the Committee

\*\* – attendance as Secretary of the Committee

# CORPORATE GOVERNANCE

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## **Provision 1.6**

### **Board and Committee meetings**

The management supplies financial, marketing, human resource and asset management reports and financial highlights to the Board on a monthly basis. In addition, the Board receives quarterly financial reports with budget variance analysis as well as the announcement of the Company's quarterly results.

Every quarter, there are Board meetings and Committee meetings for the independent directors when the management will provide updates about the Company's business and financial environment, as well as for review and approval of transactions according to the Internal Guideline and Listing Rules. The Risk Management/Sustainability Committee also holds regular meeting on matters relating to risk governance and sustainability issues.

The Board and the Committees are furnished with complete, adequate and reliable Board/Committee papers and information in a timely manner prior to any meeting so as to facilitate directors in the proper and effective discharge of their duties. Detailed Board papers are prepared for each meeting of the Board and are normally circulated one week in advance of each meeting. The Board papers include sufficient information from management on financial, business and corporate issues to enable the directors to properly consider these matters before the Board at meetings. According to the Board evaluation, the Board members are satisfied with the arrangement and support from the company secretary.

## **Provision 1.7**

### **Direct access to management team**

The Directors have separate, unfettered and direct access to the management team, the company secretary, the internal auditor and the external auditors at all times. The Directors are encouraged to visit our overseas subsidiaries to meet with our management team there.

The company secretary attends and minutes all Board/Committee meetings. He assists with proper procedure and compliance with the Companies Act, the Company's Constitution and other applicable rules and regulations. The directors have full access to the company secretary with regard to any corporate issues.

The appointment or the removal of the company secretary is subject to the approval of the Board.

### **Board Composition and Guidance**

**Principle 2:** *The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company*

## **Provision 2.1**

To ensure an independent Board, the Board ensures that all Board members are not related to each other. The Board comprises at least half of the members are independent and non-executive, and Chairman of the Board and all Committees are chaired by independent and non-executive directors.

## **Provision 2.2**

Independent and non-executive directors make up half of the Board. The Chairman is non-executive and independent.

## **Provision 2.3**

Non-executive directors make up half of the Board. The Board Chairman is independent and non-executive. All Committees are chaired by independent and non-executive directors. According to the Company's Constitution, the Chairman has second or casting vote in case of any equal voting on matters.

# CORPORATE GOVERNANCE

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The roles of independent and non-executive directors are to constructively challenge the Management's proposed strategies and also review their performance in line with agreed goals. Chairman of the Board, Audit Committee (AC), Nominating Committee (NC), Remuneration Committee (RC) and Risk Management/Sustainability Committee (RMSC) are independent and non-executive directors to ensure its independence and objectivity. Members of AC, NC and RC are all independent and non-executive directors. Management and Executive Directors are invited for meetings only on a need basis.

These arrangements ensure that the Board and Committees discharge their responsibilities objectively in the best interests of the Company.

## **Provision 2.4**

The Board encourages diversity of its Board and committee members in terms of their competency, expertise, background, race, gender and nationality so that members can contribute with different perspectives and insights.

The Board currently comprises three independent and non-executive directors and three executive directors. The independent directors are two lawyers and a Finance Director of a listed company. The Board, Nominating Committee, Risk Management/Sustainability Committee and the Audit Committee are chaired by two female directors. The composition of the Board is diverse, its members being of different genders and nationalities and possessing different skill sets and experience. We are satisfied with the composition and size of the Board. For relevant particulars of our members, please refer to pages 10 to 11.

Board Diversity Policy was approved by the Board on 28 August 2019:

### *Range of Board Diversity*

The Company gives consideration to a range of diverse characteristics, including but not limited to independence, gender, nationality and ethnicity, skills and experience and age. The Company also bears in mind the need for an optimal board size, given its current stage of growth, for effective and nimble decision making and responses and the discharge of Board responsibilities, as well as taking into account its own unique requirements within its industry and domain, and its strategic imperatives. The Board shall assess all relevant factors on an on-going basis.

### *Independence*

The Board shall comprise a balanced composition of Executive and Independent Directors with a small non-Executive non-Independent element if appropriate. This will allow the Board to benefit from a strong element of independence as well as deep industry and domain knowledge from the executive component.

### *Gender*

The Board shall comprise persons of different gender. The Company is committed to equality and equal opportunity and its selection process and appointments at all levels of the organisation, including the Board, is unbiased in all respects including gender. Our Chairman of the Board, Nominating Committee, Risk Management/Sustainability Committee and Audit Committee are female and they are all independent and non-executive.

### *Nationality and ethnicity*

The Board shall comprise persons of different nationalities and ethnic backgrounds who can contribute their knowledge and understanding of and insights into the different environments in which the Company operates its business. The heads of facilities at the Company's five geographical locations are local.

# CORPORATE GOVERNANCE

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## *Skills and Experience*

The Board's selection process shall take into account its requirement for a diversity of skill sets as may be appropriate for its business needs and responsibilities. The Board should be able to call upon members having a mix of finance, legal and management backgrounds as well as technical skill and know-how that taken together will provide the Company with considerable experience for a range of activities and business needs.

## *Age*

A Board shall, as far as may be practicable, comprise directors from different generations allowing for the wisdom of experience as well as the agility and ability to navigate a rapidly changing world and considerable disruption. Currently, the age of our Board members ranges from early fifties to early sixties.

## **Provision 2.5**

The non-executive directors, led by our Chairman, meet with our External and Internal auditors without the presence of the management annually. The non-executive directors meet amongst themselves at least once a year meet without the presence of management. Thereafter, Chairman will provide feedback to the Board for improvements, if any.

## **Separation of the roles of Chairman and Chief Executive Officer**

**Principle 3:** *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

## **Provision 3.1**

Ms Sumitri Mirnalini Menon @ Rabia is the independent and non-executive chairman of the Board of Directors and Mr. Christopher Borch is the Chief Executive Officer (“CEO”) of the Group. The chairman, the CEO and the executive directors are not related to one another.

## **Provision 3.2**

The major responsibilities of the non-executive chairman are:

- to ensure that Board meetings are held when necessary to enable the Board to perform its duties and facilitate the Company's operations;
- to set Board meeting agendas in consultation with the company secretary and the executive directors;
- to review all Board papers;
- to provide adequate, timely and relevant materials and Board papers to the Board members to help ensure the quality, quantity and timeliness of the flow of information between management and the Board;
- to ensure the Company practices effective communications with shareholders;
- to assist in ensuring compliance with the Company's guidelines on corporate governance;
- to propose new members to be appointed to the Board with consultation with the Nominating Committee.

As CEO, Mr. Borch has overall responsibility for the management and daily operation of the Group and is supported by the executive directors and executive officers. The separation of the chairman and chief executive officer roles enables Mr. Borch to focus on his executive duties including the Group's strategic planning and operations.

# CORPORATE GOVERNANCE

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## **Provision 3.3**

The Chairman is non-executive and independent director. There is no lead independent director appointed.

## **Board Membership**

**Principle 4:** *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board*

## **Provision 4.1**

The Board discusses and reviews succession plans for directors and key management every year. Instead of focusing on replacing a particular position with a named person, the Board focuses more on the system and framework in place to train the potential leaders with a support team so that there is little or no disruption when any directors or senior management personnel leave the Company. All directors and senior management personnel are always supported by deputies and a trained support team. Since the Company's initial public offer, there has been a smooth transition following the departures of facility heads without any interruption to the Group's operations. This is similarly applicable to the departure of executive directors.

As part of the Company's succession plan, the CEO, COO and CFO, who are also executive directors, have agreed to serve in the capacity of a mentor for one year following termination of his executive role. This is to ensure there is a smooth handover of the executive director's duties and responsibilities to his successor and to provide the Company with continued access to his considerable organizational knowledge.

The structure, size and composition of the Board are reviewed periodically by the Nominating Committee (NC) to ensure their relevance. The NC evaluates the Board's effectiveness as a whole, and the contribution of each director to the Board and Committees. The Board has adopted a system of evaluating the effectiveness of the Board and individual director's performance. For more details, please refer to Provision 5.1 and 5.2 of this Statement.

With effect from 1 July 2010, all directors are encouraged to obtain at least 8 hours continuing education each financial year by way of seminars, courses, and other programs relating to the discharge of their duties as directors. In addition, independent directors are encouraged to visit one or more of the Group's facilities outside Singapore and attend our in-house training programs offered by the Group to its employees in order to more fully understand the Group's business and day-to-day operations.

The Company is prepared to undertake funding for such continuing education. During FY2022, all directors met the continuing education target.

The Company's Constitution requires one-third of our directors to retire and subject themselves to re-election by shareholders at every AGM. At the forthcoming AGM, Mr Low Ming Wah and Mr Kenny Kwan Yew Kwong will retire by rotation. Mr Low and Mr Kwan will be standing for re-election. After taking into account their contribution and performance, the NC has recommended to the Board that Mr Low and Mr Kwan will be re-nominated for re-appointment at the forthcoming AGM.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he or she is interested.

# CORPORATE GOVERNANCE

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## **Provision 4.2**

The Nominating Committee (“**NC**”) has three members, all of whom are independent and non-executive directors. The members are:

Chairman: Sumitri Mirmalini Menon @ Rabia  
Member: Lai Chin Yee  
Member: Kenny Kwan Yew Kwong

The NC makes recommendations to the Board on all board appointments and re-appointments. The NC aids the Board in obtaining an appropriate mix of relevant knowledge and experience among Board appointees.

The NC's written terms of reference, which describe its major responsibilities, are:

- to make recommendations to the Board on the re-nomination of retiring directors standing for re-election at the Company's Annual General Meeting (“**AGM**”), having regard to the directors' contribution and performance;
- to determine annually whether or not an independent director is independent;
- to determine whether a director is able to and has been adequately carrying out his/her duties as a director of the Company;
- to ensure that disclosure of key information relating to directors is in the annual reports as required by the Code;
- to decide how the Board's performance may periodically be evaluated against objective criteria;
- to review the board's succession plan, in particular, the roles of Chairman and CEO; and
- to develop a process for the evaluation of the Board's performance as a whole, that of its committees and if and when appropriate, its individual members.

## **Provision 4.3**

The NC's process for identifying and selecting candidates for the Board (whether in the event of a vacancy or to add to the Board) has been and is as follows:

The Board sets selection criteria based on the desired complementary skill set i.e. managerial, technical, financial, legal etc. expertise and experience in a similar or related industry. The NC shall have recourse to both internal sources as well as external sources to draw up a list of potential candidates. Internal sources include the Company's own directors and management. Interviews shall be conducted by the NC and short-listed candidates are recommended to the Board for consideration.

For example, during FY2019, the Nominating Committee (NC) identified potential candidates fitting the criteria set by the Board by making inquiries with the Singapore Institute of Directors, Singapore Precision Engineering Technology Association and its own directors. A number of potential candidates consequently came into view. Having shortlisted potential candidates, the NC then conducted interviews and made recommendations to the Board. After a second round of interviews and based on suitability of experience, background, qualifications and other attributes deemed desirable, the Board issued an invitation to Mr. Kwan Yew Kwong Kenny who accepted the same.

# CORPORATE GOVERNANCE

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Regarding re-electing incumbent directors, the Board will comply with the Company's Constitution which require one-third of our directors to retire and subject themselves to re-election by shareholders at every AGM. After taking into consideration their contribution and performance, the NC will recommend to the Board on the re-nomination of the retired directors for re-appointment at the forthcoming AGM.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he or she is interested.

## **Provision 4.4**

Ms Sumitri Mirnalini Menon@Rabia, Miss Lai Chin Yee and Mr Kenny Kwan Yew Kwong have satisfied the criteria stipulated in the below policy and the Board is of the view they are in fact independent and non-executive directors. For key information relating to the directors, please refer to the particulars of the directors as set out on pages 10 to 11. The dates of first appointment and last re-appointment of each director are provided in the Corporate Information section on page 13.

All of our independent and non-executive directors are deemed to be independent according to the Code and the policy mentioned below and they have no relationship with the CEO, substantial shareholders and other directors of the Company or at its subsidiary level.

## **Policy on the independence of independent directors**

The Company is committed to have a strong independent element on the Board and has adopted a policy and established a process to obtain and maintain the requisite degree of independent representation for good and sound governance. As prescribed by the policy, the process:

- Establishes the methodology the Board shall use to assess the independence of each independent director bearing in mind the definition of independence in the Code;
- Identifies the information that shall be collected from each independent director to make the assessment of independence; and
- Fixes the elements of disclosure to shareholders with regard to the assessment to be made, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of an independent director.

The process requires the NC to make a formal assessment and report to the Board their findings as to whether the independent directors are independent of management and independent in character and judgment and whether there are any business or other relationships that could materially affect or interfere with the exercise of objective, unfettered or independent judgment by the independent directors or the independent directors' ability to fulfill their mandate and duties. The Board's rigorous review of the process is an important element in this process as the NC itself comprises only independent directors. The key features of the process are briefly set out below.

On an annual basis, the NC shall require each independent director to complete, confirm and sign a Declaration of Independence, the content and form of which has been approved. Each declaration shall be reviewed by the other members of the NC. This forms the basis of the assessment. All relevant facts and circumstances shall be considered in making the assessment. Generally (but without limiting the scope of the factors which may be taken into account), in accordance with best practices, independence is, prima facie, established if the criteria set out below are met.

# CORPORATE GOVERNANCE

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An independent director should have no relationship (whether familial, business, financial, employment or otherwise) with the company, its related corporations, substantial shareholders or officers, which could interfere or be perceived to interfere with the director's independent judgment.

A director is independent if he or she:

- (a) is not employed by the Company or any of its related corporations for the current or any of the past three financial years;
- (b) does not have close family ties to an executive director of the Company or any of its related corporations;
- (c) does not have an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations as a senior executive officer whose remuneration is determined by the RC;
- (d) does not accept any compensation from the Company or any of its subsidiaries other than compensation for board service for the current or immediate past financial year;
- (e) does not have an immediate family member who is accepting any compensation from the Company or any of its subsidiaries other than compensation for board service for the current or immediate past financial year;
- (f) is not a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organization to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments (in excess of an aggregate of S\$100,000 per annum) in the current or immediate past financial year;
- (g) does not have an immediate family member who is a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organization to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments (in excess of an aggregate of S\$100,000 per annum) in the current or immediate past financial year;
- (h) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the independent director's ability to act in the best interests of the Company;
- (i) does not have a relationship which would interfere, or be reasonably perceived to interfere with, the exercise of independent judgment in carrying out the functions of an independent director of the Company; and
- (j) does not receive a significant holding of shares in the company by way of gift or financial assistance from the company or its major shareholders for the purchase of shares.

Independent directors are obliged to update the Board with any new information in relation to interests or relationships relevant to independence. The Board shall re-assess independence as and when any new interests or relationships are disclosed or come to light, as well as annually.

Following this process, the NC shall report to the Board, drawing to its attention in particular any failure to meet any of the above criteria and to any other relevant circumstances and the NC shall make recommendations. However, it is the Board's duty and prerogative to determine the sufficiency or otherwise of independence and to determine its composition. In accordance with best practices and the Code, the Board shall provide a justification if an appointee fails to meet any of the criteria above but the Board still considers the appointee an independent director.

# CORPORATE GOVERNANCE

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The Board shall make the following disclosure to shareholders in the Company's annual report with regard to the matter of independent directors:

- The status of each of its members, that is whether each is an independent or non-independent director (and any change in status that occurred during the year) and their period of office.
- The justification for designating any member an independent director who fails to meet all of the criteria stated above or whose status requires an explanation for any reason.
- The policy and criteria mentioned above.

Independent and non-independent directors standing for re-election will be so identified in the Notice of Annual General Meeting. If the Board's assessment of a director's independence changes, that change will be disclosed immediately through an announcement on the Singapore Exchange website and the Company's website.

## **Director who has served over 9 years**

The Board notes that Ms Sumitri Mirnalini Menon @ Rabia shall be serving as independent director for the nineteenth year. After careful deliberation, the Board (excluding Ms Sumitri Mirnalini Menon @ Rabia) is of the view that her length of service has not compromised her objectivity and her commitment and ability to discharge her duty as independent director.

Ms Sumitri Mirnalini Menon @ Rabia has fulfilled all the criteria of being an independent director. The Board also judged her independent in character and judgment and noted factors demonstrating continued independence such as expressions of frank, divergent and independent views at meetings, the complete absence of any other circumstances that might compromise independence and the absence of any evidence of a lack thereof. The Board is confident that Ms Sumitri Mirnalini Menon @ Rabia has the ability to continue exercising strong independent judgment in the discharge of her duties and have requested that she continue for the ensuing year. Ms Sumitri Mirnalini Menon @ Rabia has acceded to the Board's request.

Under the chairmanship of Ms Sumitri Mirnalini Menon @ Rabia, the company has received more than 30 public recognitions collectively from the Singapore Corporate Awards, Securities Investors Association (Singapore) and Asia Money for its good corporate governance practices since its IPO, including the Best Managed Board Gold Award at the Singapore Corporate Awards in 2012 and 2017. In the latest Singapore Governance and Transparency Index (SGTI) 2022 released on 3 August 2022, Micro-Mechanics ranked 13<sup>th</sup> (15<sup>th</sup> in 2021) out of 489 SGX listed companies under the general category.

In view of the amendments to the SGX Listing Rules, which will come into effect from 1 January 2022, the re-appointment of directors who have served the Board beyond nine years from the date of their first appointment has to be subjected to two-tier voting by shareholders. Ms Sumitri Mirnalini Menon@Rabia retired and was re-appointed according to the two-tier voting procedures of SGX Listing Rules in the last AGM held on 29 October 2021.

## ***Provision 4.5***

On 1 May 2010, the Board resolved to limit each director to holding not more than FOUR directorships in listed companies including the Company. At the end of the financial year, it was confirmed that this restriction was complied with by all directors.

# CORPORATE GOVERNANCE

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The NC also investigated each director's other board appointments and found their directorship in other companies had no relationship or conflict of interests to the Company. It is part of the NC's duties to review and ascertain whether any director who has multiple Board representations is able to and has been effectively carrying out his duties as a director in accordance with its internal guidelines in this regard and to ensure these guidelines remain relevant. All directors are required to formally declare their other Board representations.

During FY2022, all directors attained full attendance in AGM, Board and Committee meetings. (For details, please refer to Provision 1.5 of this statement)

## Directorships

The following lists the present and past directorships of our Directors in listed companies other than directorships held in our Company.

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships (preceding 3 years)</b>
Christopher Borch	NIL	NIL
Low Ming Wah	NIL	NIL
Chow Kam Wing	NIL	NIL
Sumitri Mirnalini Menon @ Rabia	NIL	NIL
Lai Chin Yee	Qian Hu Corporation Limited Singapore Paincare Holdings Limited	NIL
Kenny Kwan Yew Kwong	Keppel DC REIT Management Ltd	NIL

## Board Performance

**Principle 5:** *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

## Provision 5.1 and Provision 5.2

## Board Evaluation

The NC is charged with carrying out an annual Board appraisal. Briefly, the process followed is for each Board member (executive and non-executive) to complete an evaluation form within a stipulated period. The completed form is returned by each member to the chairman of the NC who compiles a consolidated report after discussion with the NC members.

The NC's report and any recommendations are then tabled for discussion by the whole Board. The Board takes this evaluation process seriously. The evaluation form and process have been designed to obtain constructive feedback and initiate dialogue among Board members with a view to enhancing shareholder value, the effectiveness of the Board as a whole and the discharge of each Member's duties. The evaluation tracks and reviews quantitative as well as qualitative indicators to measure the Board's performance. Objective quantitative indicators include standard ones such as the performance of the Company's share price measured against the STI and its peers, dividend rates and capital efficiency indicators such as ROI etc. Qualitative governance indicators regarded cover the composition of the Board, its independence, processes, functioning, advisory and oversight functions, risk and crisis management protocols, compliance record and protocols, the discharge of its duties towards shareholders and the sufficiency and effectiveness of its committees. The contribution of each director to the effectiveness of the Board is tracked via their attendance at Board and Committee meetings.

# CORPORATE GOVERNANCE

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## **Peer Evaluation/Board Chairman Evaluation**

During FY2021, a Director Peer Performance Evaluation was carried out by all the directors. Each Board member evaluated the performance of his/her peers and submitted the duly completed evaluation to the NC Chairman. Directors also evaluated the performance of the Board Chairman and submitted the completed evaluation to the CEO. After collecting the evaluations, the Board Chairman discussed the evaluation with respective director privately. Similarly, the CEO discussed personally with the Board Chairman regarding the feedback from Board members on her performance. The exercise will be carried out biennially.

The performance indicators include director's duties, their involvement and engagement, leadership, communication skills, strategy and risk management, Board contribution, knowledge and their interaction with peers, senior management, internal and external auditors. Each director concluded and summarized the evaluation in the remark column provided.

Committee Chairmen report to the Board regularly. All Committee minutes are distributed to the Board for review. All Committees are mandated with clear terms and reference which are reviewed and approved by the Board every year. There is no formal evaluation on each Committee during the financial year. However, the Board is satisfied with their performance in view of their full attendance and active engagement.

## **REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies**

**Principle 6:** *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

### **Provision 6.1**

The RC's written terms of reference which describe its major responsibilities, are:

- to make recommendations to the Board on the framework for remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind for the Board and key executives and to determine specific remuneration packages for each executive director and key management personnel;
- to review all benefits and long-term incentive schemes (including share schemes), whether directors and key management personnel should be eligible for benefits under long-term incentive schemes and compensation/remuneration packages for the Board and key executives;
- to review annually the remuneration package of directors and key management personnel;
- to review specific remuneration packages (the performance bonus incentive) for directors and key management personnel;
- to review service contracts of the executive directors;
- to review remuneration packages of employees who are related to any director or substantial shareholders.

# CORPORATE GOVERNANCE

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## **Provision 6.2**

The Remuneration Committee ("RC") has three members, all of whom are independent and non-executive directors.

The members are:

Chairman : Kenny Kwan Yew Kwong  
Member : Sumitri Mirmalini Menon @ Rabia  
Member : Lai Chin Yee

## **Provision 6.3**

Service contracts with the CEO, COO and CFO, all of whom are executive directors, are renewable every two years with a notice period of three months in each of their respective service contracts. There are no onerous clauses or 'golden handshake' provisions in connection with termination. There are no termination, retirement and post-employment benefits that are granted to the executive directors, the CEO and the key management personnel. These service contracts are subject to the review and approval of the Remuneration Committee. An over-riding principle of our remuneration policy is that no director is involved in deciding his own remuneration.

Effective from FY2021, a clawback provision has been included into the service contracts. It allows the company to reclaim bonuses that have been paid in the event of mis-statement of financial results in its audited accounts. The provision is legally binding against the executive directors even after they have left the company for a period not exceeding two years. The clawback provision will take effect only when the mis-statement of financial results is material, say more than 5%.

## **Provision 6.4**

The company did not appoint any remuneration consultant during the financial year.

## **Level and Mix of Remuneration**

**Principle 7:** *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company*

## **Provision 7.1**

The Company adopts a remuneration package for employees including executive directors, which is made up of fixed and variable components. The fixed component is the base salary and the variable components are the Performance Bonus Incentive ("PBI") scheme, special bonus and the schemes mentioned below being the Sales Incentive scheme and the Performance Shares Plan.

For all Company employees (including key management personnel), the PBI is linked to the performance of the relevant subsidiary and its achievement of established targets approved by the Remuneration Committee such as profitability, sales turnover, assets management, human resource management, quality, customer services and delivery time etc. For executive directors, the PBI is linked to the performance of the Group and the achievement of established targets that are the same as the employees. The Company also has a Sales Incentive scheme for its sales and marketing teams structured on pre-defined targets. Executive directors and key management personnel are not entitled to the Sales Incentive.

# CORPORATE GOVERNANCE

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## **Cap on bonuses to employees and executive directors**

To ensure a sensible bonus structure in line with performance and remuneration objectives there is a cap and control on the total amount of bonuses to employees and executive directors. Employees of profitable subsidiaries are entitled to PBI but the aggregate amount should not be more than 10% of that subsidiary's profit pre-tax and pre-bonus, except for MMUS which has a bonus system that is based on operational KPIs. Executive directors are entitled to PBI and the aggregated executive bonus should not be more than 10% of the Group profit pre-tax and pre-bonus.

## **Provision 7.2**

The independent and non-executive directors receive directors' fees in line with the market bearing in mind the size of the company and the level of contribution, time spent, efforts and responsibilities of each independent and non-executive director. The calculation of director's fees for independent and non-executive directors is as follows:

- the base director's fee + 15% for each Committee Chairperson
- the base director's fee + 30% for Audit Committee Chairperson
- the base director's fee + 50% for Board Chairperson

During FY2022, all independent and non-executive directors attained full attendance of Board and Committee meetings.

The base director's fee was revised in FY2019 after benchmarking with peer listed companies that are of similar market capitalization in the range of S\$250 million. The base director's fee had not been revised since the Company's IPO in 2003.

The director's fees are subject to shareholders' approval at the Annual General Meeting.

## **Provision 7.3**

The Group's practice is to conduct an annual salary review for all employees, including key management personnel, which is based on the individual performance as well as the company's performance. We also review and adjust the salary scale for each position in line with the market on an annual basis.

The Remuneration Committee reviews the remuneration package of Executive Directors and key management personnel yearly in line with the performance of the Company and the individual. The total remuneration is made up of fixed base salary and variable bonuses so as to align the performance of Executive Directors and key management personnel with the Company's goals and objectives. All our Executive Directors and most of our key management personnel have served the Company since our IPO and most of them are our long-term shareholders.

## **Disclosure on Remuneration**

**Principle 8:** *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

## **Provision 8.1**

The Board supports and is keenly aware of the need for transparency. However, after careful deliberation and considerable debate, the Board is of the view that full disclosure of the specific remuneration of each executive director, the CEO and the key management personnel is not in the best interests of the Company and therefore shareholders. Inter alia, the Board took into account the very sensitive nature of the matter, the relative size of our Company, the competitive business environment we operate in and the irrevocable negative impact such disclosure would have on the Company.

# CORPORATE GOVERNANCE

We disclose fully the remuneration of independent and non-executive directors and any employee related to the substantial shareholder, CEO or directors.

The breakdown of the level and mix of remuneration of each Director and the key executives in FY2022 is as follows:

## Remuneration of Directors

<b>Remuneration band &amp; name of Executive Director</b>	<b>Director's fee</b>	<b>Salary</b>	<b>Bonus</b>	<b>Allowances/ Benefits</b>	<b>Total</b>
<u>S\$750,000 to S\$1,000,000</u>					
Christopher R. Borch (CEO)	6%	40%	53%	1%	100%
Low Ming Wah	6%	40%	51%	3%	100%
Chow Kam Wing	6%	40%	52%	2%	100%

<b>Remuneration band &amp; name of Independent and Non-Executive Director</b>	<b>Director's fee</b>	<b>Salary</b>	<b>Bonus</b>	<b>Allowances/ Benefits</b>	<b>Total</b>
Sumitri Mirnalini Menon @ Rabia	99,000	–	–	–	99,000
Lai Chin Yee	87,000	–	–	–	87,000
Kenny Kwan Yew Kwong	69,000	–	–	–	69,000

## Remuneration of key management personnel

<b>Remuneration band &amp; name of key management personnel</b>	<b>Director's fee</b>	<b>Salary</b>	<b>Bonus</b>	<b>Allowances/ Benefits</b>	<b>Total</b>
<u>S\$250,000 to S\$500,000</u>					
Shen Zi Quan	–	50%	43%	7%	100%
<u>Below S\$250,000</u>					
Colin Wojno	–	84%	10%	6%	100%
Ng Chin Lim	–	52%	34%	14%	100%
Richie Cajili Manuel	–	70%	27%	3%	100%
Neo Say Chow	–	63%	20%	17%	100%

The aggregate remuneration paid to the top 5 key management personnel is S\$903,737.

### **Provision 8.2**

Mr. Kyle Borch, the eldest son of Mr. Christopher Borch (substantial shareholder and CEO) joined Micro-Mechanics, Inc (a subsidiary of the Company) on 27 August 2018 as a Manufacturing Engineer. Mr. Borch received a BS in Physics and Math from the University of California Los Angeles (UCLA) in 2014 and MS degrees in Mechanical Engineering and Engineering Management from the University of Southern California in 2018. Mr. Borch's current role is non-managerial with total remuneration during the financial year ended 30 June 2022 of approximately S\$156,021.

# CORPORATE GOVERNANCE

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## **Provision 8.3**

The remuneration package for Executive Directors and key management personnel includes base salary and variable bonus (performance bonus incentive) as well benefits such as car allowances.

The Performance Shares Plan ("**Plan**") was approved by Shareholders on 30 October 2008 and expired on 30 October 2018. Under the Plan, 546,000 new shares were issued to our employees. None of our Executive Directors have received any shares from the Plan.

As at 30 June 2022, there were 57 employees, 3 Executive Directors, 2 Independent Non-Executive Directors and the top 5 key management personnel holding shares in the Company.

## **ACCOUNTABILITY AND AUDIT**

### **Risk Management and Internal Controls**

**Principle 9:** *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

## **Provision 9.1**

### **Risk Management**

The Company has put in place internal controls necessary to identify and manage significant business risks. The Company's internal audit function provides an independent resource and perspective to the Audit Committee by highlighting any areas of concern discovered during the course of performing such internal audit process.

Management regularly reviews the Company's business and operational activities to identify areas of financial, operational, compliance and information technology risk as well as measures to control these risks and report to Risk Management/Sustainability Committee quarterly. These include detailed financial and management reporting and detailed operational manuals and reports. Targets are set to measure and monitor the performance of operations periodically, such as growth, profit margins, inventory efficiency, accounts receivable management, personnel attendance, cycle time and housekeeping.

The Company's assets and our employees are insured under a comprehensive insurance program which is reviewed annually. These also include product liability insurance and directors and officers liability insurance.

In June 2016, our Singapore plant operations was certified as conforming to the Business Continuity Management System standard ISO22301:2012. The certification was successfully renewed in May 2022.

Financial risk management is discussed in Note 20 to the financial statements set out on pages 112 to 120.

### **Risk Management/Sustainability Committee**

Risk Management Committee was formed on 28 August 2014 to strengthen the Group's risk management processes and framework. During FY2022, the Committee was renamed to Risk Management/Sustainability Committee to emphasize the importance of sustainability and climate change matters and the development of Sustainability Reporting.

# CORPORATE GOVERNANCE

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It comprises three independent directors and two executive directors:

Chairman	:	Lai Chin Yee
Member	:	Sumitri Mirnalini Menon @ Rabia
Member	:	Kenny Kwan Yew Kwong
Member	:	Low Ming Wah
Member	:	Chow Kam Wing

The Committee is guided by the terms of reference to assist the Board as follows:

- determine the Group's level of risk tolerance and risk policies
- ensure the management maintains a sound system of risk management
- recommend and review the implementation of risk management framework
- review the processes and procedures for ensuring that all material risks are properly identified and that appropriate systems of monitoring and control are in place
- review the Group's risk profiles regularly
- review breaches of risk appetite and tolerances
- review the implementation of sustainability strategy
- monitor the performance against the sustainability targets
- update the Board any regulatory change in sustainability
- review the sustainability reporting

The Committee take reference to the ISO31000 – Risk Management Standards and Committee of Sponsoring of the Treadway Commission (COSO) Model in assessing the effectiveness of its risk management system and the ISO27000 series on its IT governance.

At the management level, an Enterprise Risk Management Working Committee is formed comprising key management personnel for the development and implementation of enterprise risk management system. It will report regularly to Risk Management/Sustainability Committee.

The Risk Management/Sustainability Committee reports to the Board. The Board determines and reviews the company's levels of risk tolerance and risk policies and oversees the risk management and internal control systems.

For the reporting structure of sustainability, please refer to the Sustainability Report under Sustainability Governance.

# CORPORATE GOVERNANCE

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## **Accountability**

### ***Provision 9.2***

The Board is accountable to the shareholders while the management is accountable to the Board. The Board is mindful of its obligation to provide timely, reliable and fair disclosure of material information in compliance with the SGX-ST Listing Manual and present the financial results quarterly, half yearly and yearly to the public. The management announced the quarterly and the half yearly financial results within 30 days from the relevant financial period. The CEO and CFO certify all such financial results.

In presenting the financial results, the Board has sought to provide a balanced and reader friendly assessment of the Company's performance and position.

To continually ensure the accountability of management to the Board, the management provides all members of the Board with a useful and balanced summary of the Company's performance and financial position such as Profit & Loss Accounts, Balance Sheets and other management reports on a monthly basis.

The Board has received the written assurance from

- (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems

### ***Provision 9.2 a and 9.2b/Listing Rule 1207(10)***

The Board's opinion is, with the concurrence of the AC, that there are adequate internal controls in place to address material financial, operational and compliance risks during the financial year and up to the date of this report after considering the following:

- work done and reports by the internal and external auditors given during the year;
- report by Risk Management/Sustainability Committee;
- the lack of any concern raised by a whistle blower;
- certification as conforming to the Business Continuity Management System standard ISO22301:2012;
- assurance obtained from the CEO and CFO (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances and (b) regarding the effectiveness of the company's risk management and internal control systems. The audited report was signed by the CEO and CFO. Similar assurance from subsidiaries and finance heads.

# CORPORATE GOVERNANCE

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## Areas of concern

The Board would report on the following risk which became apparent or was brought to its attention.

Earthquake Damage in California – California is an earthquake prone area. The Group's factory in the USA is situated in Morgan Hill, California. The Board has ascertained that insurance deductibles on any policy obtainable to cover damage as a consequence is very high such as, as in the Board's view, to make coverage ineffective. Furthermore, the greater damage is likely to be caused by flooding in the event of a large earthquake, and this consequence is not insurable at all in this region. After due consideration, the management has decided not to insure against earthquake damage. The management has taken and shall continue to take steps to minimize potential damages and loss by employee education training programs and by proper bracing and anchoring of the contents in the plant. As at 30 June 2022, our USA operations recorded an annual revenue of S\$17.6 million and had total assets of S\$16.1 million.

## Audit Committee

**Principle 10:** *The Board has an Audit Committee (“AC”) which discharges its duties objectively.*

### Provision 10.2

The Audit Committee (“AC”) comprises three members, all of whom are independent and non-executive Directors.

Chairman	:	Lai Chin Yee
Member	:	Sumitri Mirmalini Menon @ Rabia
Member	:	Kenny Kwan Yew Kwong

All the members have had many years of experience in senior positions in financial, legal and/or commercial sectors. They have sufficient financial expertise and experience to discharge the AC's functions. The Chair, who is a Chartered Accountant of Singapore, has been Finance Director of a listed company and Audit Committee Chair in other listed companies in Singapore.

### Provision 10.1

#### Provision 10.1 (a)(b)(c)(d)(e) and (f)

The AC's written terms of reference which describe its major responsibilities are:

- to review with the external and internal auditors the audit plan and the results of the external auditor's examination and evaluation of the Group's system of internal controls;
- to review (i) the quarterly, half yearly and yearly announcement of financial results, and (ii) the consolidated financial statements, balance sheets and statements of profit & loss accounts, and the external auditor's reports on those financial statements, before submission to the Board for approval;
- to review and discuss with external and internal auditors any suspected fraud or irregularities, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position;
- to review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters and how to handle it properly including independent investigation, public announcement and internal communication with employees and related stakeholders;
- to make recommendations to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approve the remuneration and terms of engagement of the external and internal auditors;

# CORPORATE GOVERNANCE

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- to review the independence of the external auditors annually including the nature and extent of non-audit services provided by the external auditors;
- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;
- to review the adequacy and effectiveness of the internal control framework and risk management processes including financial, operational, compliance and information technology controls and help ensure adequate measures are in place;
- to review the compliance with the Code of Best Practice on Security Transactions;
- to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual;
- to review the scope of the work of the internal auditor and to review with the internal auditor the audit plan and the results of the internal auditor's examination and evaluation of the Group's system of internal controls;
- to review the assurance from CEO and the CFO on the financial records and financial statements;
- to review the corporate governance processes.

The AC has reviewed the non-audit services performed by the external auditors and is satisfied that the provision of such services has not affected the independence of the external auditors. The AC has recommended their re-appointment at the forthcoming AGM. The aggregate amount of fees paid to the external auditors for the year is S\$182k and the non-audit services fee is S\$20k.

Some of the subsidiaries in the Group are being audited by external auditors other than those of the Company. The AC is satisfied that there are sound internal controls applied in these subsidiaries and the scope of audit performed by these other external auditors is adequate. Furthermore, the external auditor of the Company visited these subsidiaries (before Covid 19 pandemic) and did review their accounts.

It is the Company's practice for our external auditor to present the AC with their audit plan and with updates relating to any change of accounting standards impacting on the financial statements before an audit commences. It is also the responsibility of the CFO to update the Board on any changes in accounting standards which may have an impact on the financial statements. During the financial year in review, the changes in accounting standards did not have any significant impact on the Company's financial statements.

## **Whistle Blowing Policy**

The Board has formulated a written and comprehensive Whistle Blowing policy which has been disseminated throughout the Group and is an integral part of the Company Handbook. The Board believes that this policy will, inter alia, act as a deterrent to malpractice and wrongdoing, encourage openness, promote transparency and underpin the risk management systems of the Group.

The Whistle Blowing Officers are the members of the Board. Any Whistle Blowing Officer to whom a concern has been raised is obliged to make a report to the Audit Committee of the substance of the concern without breaching employee confidentiality. The AC is obliged to review all reports received and take or approve appropriate action.

# CORPORATE GOVERNANCE

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The policy requires that the Whistle Blowing Officer shall consider any concern raised seriously even if they made anonymously.

The policy covers all and any improprieties and wrongdoings:

- affecting the financial position of the company;
- relating to the honesty and integrity of the company's dealings;
- relating to the honesty and integrity of any employee or director in the course of his or her employment or dealing with or on behalf of the company.

A whistle blower can choose to raise a concern by any means convenient including sending a letter or email or by telephone to any Whistle Blowing officer directly. Within 10 working days, the Whistle Blowing officer is obliged to acknowledge receipt of the information and provide an explanation as to how the matter is being handled if the report is not anonymous. The concern is appropriately and expeditiously dealt with and could be referred to the police, our external auditor or an independent investigator depending on the nature of the disclosure and the outcome of preliminary investigations.

Protecting the whistle blower:

- (a) The Whistle-blowing Officer, the whistle blower has approached, will keep the whistle blower's identity and position and any other aspects of how the matter came to his attention strictly confidential. If the Officer is required to reveal the same by law, he shall do so only after giving the whistle blower due notice and shall do our utmost to protect from and assist the whistle blower with any consequences that fear may result from such disclosure.
- (b) Any investigations which must be made and the outcome shall be dealt discreetly and made known only to such persons and to the extent needed to deal effectively with the whistle blower's complaint.

Anonymous allegations

- (a) Since we will protect the whistle blower, we encourage the whistle blower to identify himself when making an allegation.
- (b) Even if the whistle blower prefers not providing his identity, our Whistle-blowing Officer will consider the matters raised seriously. However, the fact that the complaint has been made anonymously will be taken into account in evaluating its merits.

All concerns raised must be referred to the AC in a timely manner.

## **Provision 10.3**

It is the Company's practice not to appoint any former/current partner or director of the Company's existing internal or external auditing firm acting as Board member or any Committee member to ensure independence and objectivity.

## **Provision 10.4 and 10.5**

In the financial year under review, the AC met with the external auditor and internal auditor without the presence of executive directors and senior management. All AC meetings were run without the presence of executive directors and senior management unless invited by the AC to attend for any particular reason.

# CORPORATE GOVERNANCE

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## **Provision 10.4**

The internal auditor reports directly to the AC.

The Company maintains a sound internal control and internal audit system to ensure the integrity and reliability of our financial information, as well as to safeguard shareholder value and the Group's assets. The system is strengthened and reinforced by the Group's internal auditor who carries out regular internal audits to ensure compliance with stipulated internal controls, applicable laws and regulations.

The internal audit function has been outsourced to a reputable auditing firm which was appointed by the Audit Committee. The AC reviews the audit plan yearly with the internal auditor and the effectiveness of the internal audit function.

Since August 2011, Nexia TS Risk Advisory Pte Ltd has been the internal auditor of the Group. The internal auditor meets with the AC half yearly to present the internal audit reports. The AC approves the internal audit schedule and plan and reviews the activities of the internal auditor on a regular basis. Outsourcing the internal audit function enhances continuity, objectivity and independence and thus good corporate governance.

The recruitment, selection and appointment of the internal auditor was made by the AC after reviewing suitable candidates identified by internal and external parties including the external auditor, company secretary and others. The internal auditor is independent and is not associated with or related to the substantial shareholders, directors or the CEO and the CFO.

The internal audit in-charge is a qualified accountant with many years of internal audit experience. The internal audit has been carried out in accordance with the IIA standards.

## **SHAREHOLDER RIGHTS AND ENGAGEMENT**

### **Shareholder Rights and Conduct of General Meetings**

**Principle 11:** *The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

### **Provision 11.1**

During the Company's Annual General Meeting ("**AGM**"), it is our practice for the Chairman to read the rules, including voting procedures that govern the AGM, so that the shareholders can participate in and vote effectively.

### **Provision 11.2**

All resolutions tabled at the AGM are voted by Poll, counted and validated by an independent scrutineer. The Board takes note that there should be a separate resolution at general meetings on each substantially separate issue and will provide reasons and material implications where resolutions are interlinked.

### **Provision 11.3**

At AGMs, the CEO, COO and CFO will conduct a presentation on the Company's developments, financial results, outlook and strategy to provide shareholders with updates on the Company's progress. Shareholders also have the opportunity to share with and communicate their views to the Board. The Chairpersons of the Audit, Nominating, Remuneration Committees and Risk Management/Sustainability Committee as well as the external auditors are requested to be present and available to address any queries by shareholders.

# CORPORATE GOVERNANCE

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Due to the Covid-19 pandemic, we are holding our AGMs by electronic means. Shareholders can submit their questions to the Company in advance of the AGM via electronic means or post. The Company will answer all questions via SGX announcement before or at the AGM. The Board still prefers to hold physical AGM as it enables us to communicate more closely with shareholders.

## **Provision 11.4**

If shareholders are unable to attend the meetings, the Constitution of the Company allows shareholders to appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries to appoint more than two proxies to attend, speak and vote at general meetings. In order to have a valid registration of proxy, the proxy forms must be sent in advance to the place(s) as specified in the notice of the general meetings at least 72 hours before the time set for the general meetings.

## **Provision 11.5**

The Company publishes the results of the voting on each resolution tabled and posts detailed minutes of the AGM which records shareholders' questions and the Board's/Management's answers, via SGXNET. The minutes of the AGM include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management.

## **Provision 11.6**

Effective from FY2016, the Company has instituted a formal dividend policy which is to declare 40% or more of the Group's net profit according to the audited report.

The Company pays interim and final dividends each year after taking into consideration the Group's financial performance, cash position, cash flow generated from operations, projected capital requirements for business growth, general global economic conditions and other factors as the Board may deem appropriate.

## **Engagement with Shareholders**

**Principle 12:** *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

## **Provision 12.1**

The Company's primary communication platforms are its annual report, announcements posted on the SGXNET and Company website, and Annual General Meeting. The Company augments its communications with regular analyst/media briefings, one-on-one meetings and conference calls when required.

The Company announces its financial results via SGXNET and strives to provide material information beyond the mandatory regulatory requirements of the SGX-ST Listing Manual. Where there is inadvertent disclosure made to a select group, we will make the same disclosure publicly to all others as promptly as possible.

Annual reports and notices of AGMs are sent to all shareholders 21 days before AGM. Such notices are also published in the local newspapers and announced via SGXNET. Shareholders are encouraged to attend the Company's AGMs. To enhance shareholders' participation, the Company holds its AGM at central locations with walking distance from MRT stations.

The Company will continue to voluntarily announce its quarterly financial results via SGXnet although it is no longer a mandatory requirement under the SGX Listing Rules.

# CORPORATE GOVERNANCE

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## ***Provision 12.2 and 12.3***

To enhance and encourage communication with investors, the Company provides an email address for investors at investor@micro-mechanics.com and the contact details of our Investor Relations Consultants. We have a practice of posting FAQs which are informative on our website to provide shareholders and the public with more information about the Company. Announcements via SGXnet are made to inform and update the shareholders and the public if there are any changes and developments in the Company or its business which would be likely to materially affect the price or value of the Company's shares.

The CEO is Head of the IR team and oversees the IR strategy. He is supported by the CFO and external IR consultants engaged by the Company to reinforce its communications and interactions with investors and analysts. IR contact information is also publicly disclosed in our annual reports, announcements and website.

## **Investor Relations Practices and Guidelines**

The main objectives of the Company's Investor Relations (IR) are to:

- maintain an open and active dialogue with existing and potential shareholders.
- ensure all investors have equal and adequate access to clear, comprehensive, and relevant information on a timely basis.

Regular media and analyst briefings are organized to enable a better appreciation of the Group's performance and developments. The Company holds investor briefings, inviting the media and analysts, after the release of the first half and full year financial results.

The Company conducts its IR on the following principles:

- Operate an open-door policy with regard to investor/analyst enquiries which should be responded to within three working days;
- Management and IR team are accessible to requests for one-on-one meetings and conference calls with investors and analysts;
- Information deemed to be price-sensitive is disseminated without delay via announcements and/or press releases on SGXNET;
- Discuss only publicly-available and publicly known information during dialogues with investors and analysts, principally following announcements of financial results;
- Maintain a blackout period prior to the planned release of financial statements during which no meetings and presentations will be held with analysts or investors. The blackout period is two weeks for quarterly financial results and one month for the half yearly/full-year financial results;
- Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions;
- Announce the date of release of quarterly financial reports at least a week in advance;
- Allocate sufficient time to address queries of shareholders outside the formal business of the AGM.

# CORPORATE GOVERNANCE

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## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

**Principle 13:** *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

#### **Provision 13.1**

The Board encourages stakeholder engagement by identifying the key stakeholder groups and understanding their perceptions about the Company especially regarding sustainability issues. Setting high ethical standards for all levels within the Company is the Board's priority. Our stakeholders are engaged through various channels to ensure our business interests are aligned with them and their concerns are addressed in a manner that will improve our business operations for long-term growth and sustainability.

Our major stakeholders mainly include: customers, employees, suppliers, shareholders, regulators and the local communities where our businesses operate.

#### **Provision 13.2**

##### **Customers**

Focusing on the needs of customers is a critical success factor for our business. We have about 600 customers worldwide. Our top 10 customers are mainly in the USA, China and Malaysia, and collectively accounted for 70% of the Group's revenue in FY2022. The majority of our customers have been working with the Group for more than 10 years. We have implemented Customer Relationship Management (CRM) embedded in our ERP system to help us interact with our customers. Our sales team and R&D team make regular visits to our customers to provide technical solutions and provide updates on our latest capabilities. Despite the COVID-19 pandemic, we remain in regular communication with customers via virtual conference. Every year, we carry out a Customer Satisfaction Survey to have a better understanding of their needs. We participate in trade shows and exhibitions relating to our industry to showcase our latest products and services to both our existing and prospective customers.

##### **Employees**

Employee engagement is another critical success factor for our business. People are the Group's most important asset. All new employees will receive an orientation session where our HR manager will explain every detail of the Company handbook especially the Code of Conduct. This is to ensure that every new employee understands the Company's culture and his/her rights and obligations. Training will be provided to make sure that all employees are able to carry out their respective jobs competently. Every half year, we have an interactive session called Employee Improvement Dialogue when our employees will have a discussion with their supervisors regarding their performance and career development. To align all employees with the Group's goals and objectives, we have designed a half yearly Performance Bonus Incentive (PBI) Scheme. All employees are informed so that they fully understand the targets they have to achieve in order to be rewarded in the PBI Scheme. Our practice is to have a diverse and inclusive workforce and to provide a safe and healthy work environment for our employees.

We are committed to providing our employees with opportunities to develop their potential through relevant training programs. The focus of such training programs is skills-upgrading and education in areas directly related to an employee's present work and/or future development. During FY2022, about 524 confirmed employees received formal and structured training of 4,448 hours, excluding on-the-job training, which is approximately 8.5 hours per employee. In the previous year, there was training provided amounted to 1,541 hours. Due to the COVID-19 pandemic, many of the training scheduled in FY2021 and FY2022 were cancelled. Our target is to provide 12 training hours per employee.

# CORPORATE GOVERNANCE

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## Suppliers

Our suppliers are key to our performance in terms of quality and cycle time. We need to form trusting relationships that are mutually beneficial. We encourage our suppliers to use the Reference Business Alliance (“**RBA**”) principles as a guide to meet our evaluation criteria for preferred supplier standing. The Responsible Business Alliance (RBA) details standards for social, environmental and ethical matters for supply chain in the electronics industry. We assess the performance of our suppliers yearly and also assess the risk of business continuity of the supply chain. Majority of our suppliers and service providers have been working with us for more than 10 years.

## Shareholders

We ensure that our shareholders and the investment community have an understanding of our business model, strategy, performance and culture. We have a strong Investor Relations team to communicate with our shareholders and the public. Please refer to Provision 12.1, 12.2 and 12.3. under the Engagement with Shareholders of this statement.

## Regulators

We fully comply with and respect local rules and regulations. The Board and the Company have zero tolerance towards corruption and non-compliance of laws and regulations. Any non-compliance with country laws and regulations or corruption incident linked to our Company will damage our reputation and the trust we have built with stakeholders. Regularly, the Board will be updated for any change of rules or regulations affecting the business of the Company.

To strengthen the awareness and understanding of our employees and to be in compliance with the rules and regulations, we have gone through the following certifications:

- BCM22301:2012 Societal Security-Business Continuity Management System
- ISO37001:2016 Anti-Bribery Management System
- Data Protection Trustmark
- International Traffic in Arms Regulation

## Local Communities

We work to ensure building positive relationship with the communities in which we operate. We focus on supporting the local communities by employing local people as priority. We employ all locals in our operation in USA, the Philippines and China. We have initiated to participate some social and charitable activities with the local communities. Due to the COVID-19 pandemic however, we had to abort some of these initiatives in FY2022. We will continue to encourage our people to support the local communities.

During FY2022, the Singapore and Malaysia plants had made donations to the Singapore Special Olympic and the Handicap and Orphanage Centre respectively.

## **Provision 13.3**

Our website [www.micro-mechanics.com](http://www.micro-mechanics.com) is updated in a timely manner with the Group's latest announcements. In addition, shareholders can also view our latest financial highlight, financial reports, company presentations, investor factsheet, research reports, annual reports, stock quote and Frequently Asked Questions (FAQs) under the Investor Relations section. Anyone may subscribe to the Company's announcements by registering for "email alerts" via our website.

Please refer to our Sustainability Report regarding the engagement with stakeholders.

# CORPORATE GOVERNANCE

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## **Other matters:**

### **Anti-corruption**

Our company has zero tolerance with regard to any kind and form of bribery or corruption. An employee is not allowed to solicit or offer or give bribes or incentives whether in the form of money or gifts or favour in any form whatsoever. Any unsolicited gift/s having an aggregate value in excess of \$200 must immediately be disclosed to a director. Proven violation shall result in the immediate initiation of termination processes and a report will be made to local authority as appropriate. Customers/suppliers shall be entertained with breakfast, lunch or dinner only and the level of such entertainment shall be modest.

In June 2019, our Singapore plant operations was successfully certified as conforming to the Anti-Bribery Management System standard ISO37001:2016. In June 2022, our Singapore plant operations was successfully re-examined as conforming to the Anti-Bribery Management System standard ISO37001:2016.

### **Securities Trading Code**

The Company has adopted an internal compliance code which is applicable to all officers in relation to dealings in the Company's securities. Its officers are not allowed to deal in the Company's shares during the stipulated black-out periods (i.e. the period commencing two weeks before the announcement of the Company's financial statements for quarterly results and one month before half year or full year financial results, and ending on the date of announcement of such results) or if they are in possession of unpublished material price-sensitive information pertaining to the Group.

All directors and all employees of the Group have been instructed to observe the internal compliance code and all applicable insider trading laws at all times even when dealing in securities within permitted trading periods. In this regard, all directors and employees are requested to sign a Declaration of Compliance with the internal compliance code annually and submit the same to the company secretary who in turn tables the duly signed declarations to the Audit Committee for inspection.

### **Interested Person Transactions**

The Company has adopted a policy in respect of any transactions with interested persons and requires that all such transactions be at arm's length and reviewed by the Audit Committee quarterly.

For the financial year ended 30 June 2022, the Group has made rental payment of US\$422,000 (30 June 2021: US\$400,000) and solar-generated electrical services payment of US\$160,152 (30 June 2021: US\$136,696) 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.

# CORPORATE GOVERNANCE

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## List of Certifications:

	<b>Name of certification</b>	<b>Validity until</b>
<b>MM-Singapore</b>	ISO9001-2015 Quality Management System	2-Dec-24
	BCM22301:2012 Societal Security-Business Continuity Management System	16-May-25
	ISO37001:2016 Anti-Bribery Management System	27-Jun-25
	Data Protection Trustmark	2 Sept 25
<b>MM-Malaysia</b>	ISO9001-2015 Quality Management System	31-Oct-22
<b>MM-Philippines</b>	ISO9001-2015 Quality Management System	14-Jan-25
<b>MM-China</b>	ISO9001-2015 Quality Management System	7-Apr-24
<b>MM-USA</b>	AS9100 Quality Management System for aviation, space and defense organization	21-Nov-22
	International Traffic in Arms Regulation	31 Jul-23

# DIRECTORS' STATEMENT

Year ended 30 June 2022

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2022.

In our opinion:

- (a) the financial statements set out on pages 77 to 123 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2022 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## Directors

The directors in office at the date of this statement are as follows:

Christopher Reid Borch  
Low Ming Wah  
Chow Kam Wing  
Sumitri Mirnalini Menon @ Rabia  
Lai Chin Yee  
Kwan Yew Kwong, Kenny

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company are as follows:

<b>Name of director in which interests are held</b>	<b>At beginning of the year</b>	<b>At end of the year</b>	<b>At 21 July 2022</b>
<b>Ordinary shares</b>			
Christopher Reid Borch	69,485,169	66,485,169	66,485,169
Low Ming Wah	7,127,001	7,127,001	7,127,001
Chow Kam Wing	2,812,000	2,812,000	2,812,000
Sumitri Mirnalini Menon @ Rabia	300,000	300,000	300,000
Lai Chin Yee	20,000	20,000	20,000
Kwan Yew Kwong, Kenny	–	–	–

# DIRECTORS' STATEMENT

Year ended 30 June 2022

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By virtue of Section 7 of the Act, Christopher Reid Borch is deemed to have an interest in all the wholly-owned subsidiaries of the Company at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or of related corporations at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Share options

During the financial year, there were:

- (a) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (b) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

## Audit Committee

The members of the Audit Committee during the year and at the date of this statement are as follows:

- Lai Chin Yee (Chairman), Independent director
- Sumitri Mirnalini Menon @ Rabia, Independent director
- Kwan Yew Kwong, Kenny, Independent director

The Audit Committee performs the functions specified by section 201B of the Act, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance.

The Audit Committee has held five meetings during the year. In performing these functions, the Audit Committee reviewed the scope of work of the Company's external auditors, and their evaluation of the Company's system of internal accounting controls.

The Audit Committee also reviewed the following:

- the scope and results of the work of the internal auditor;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;

# DIRECTORS' STATEMENT

Year ended 30 June 2022

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- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
- the assistance provided by the Company's officers to the external auditors and the independence of the external auditors; and
- corporate governance processes.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712, 715 and 716 of the SGX Listing Manual.

## **Auditors**

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Christopher Reid Borch**

*Director*

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**Chow Kam Wing**

*Director*

27 August 2022

# INDEPENDENT AUDITORS' REPORT

Members of the Company  
Micro-Mechanics (Holdings) Ltd.

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## Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of Micro-Mechanics (Holdings) Ltd. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS48.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2022, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITORS' REPORT

Members of the Company  
Micro-Mechanics (Holdings) Ltd.

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## Valuation of Property, Plant and Equipment (PPE) and Right-of-use (ROU) assets

### (Refer to note 4 to the financial statements)

#### *The key audit matter*

The Group has PPE and ROU assets with a net book value of \$30.2 million (2021: \$32.1 million).

During the financial year, the cash-generating unit (CGU) from the United States, Micro-Mechanics Inc. (MMUS), was in a loss-making position. Management found this represents an impairment indicator on the PPE and ROU assets within this CGU. Accordingly, the Group performed an impairment assessment on MMUS's PPE and ROU assets by estimating the recoverable amount of the CGU based on value in use (VIU) method.

The impairment assessment and the estimation of the recoverable amount is subjective and involves management's judgement. The assessment of these judgements is a key focus area of our audit.

#### *How the matter was addressed in our audit*

Our procedures in relation to management's impairment assessment included, among others:

- Reviewed management's assessment of existence of impairment indicators, which among others, include observable indicators that the assets value has declined, any adverse economic effect on the CGU and evidence of obsolescence.
- Evaluated management's computation and assumptions used in determining the recoverable amount of MMUS, including the projected revenue growth rates, projected gross profit margin and discount rate.
- Assessed the reasonableness of the management assumptions made in the DCF model by comparing the parameters in the DCF model against available market data and/or historical performances of MMUS.
- Performed sensitivity analysis on the DCF model.
- Reviewed the disclosures included in the financial statements against the requirements of the accounting standards.

We found management's process of assessing for impairment indicators to be appropriate and the estimates used to determine recoverable amounts to be balanced.

#### *Other information*

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for Shareholders' statistics (the Reports) which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITORS' REPORT

Members of the Company  
Micro-Mechanics (Holdings) Ltd.

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

## *Responsibilities of management and directors for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

# INDEPENDENT AUDITORS' REPORT

Members of the Company  
Micro-Mechanics (Holdings) Ltd.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Khai Boon.

## KPMG LLP

*Public Accountants and  
Chartered Accountants*

## Singapore

27 August 2022

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2022

		Group		Company	
	Note	2022	2021	2022	2021
		\$	\$	\$	\$
<b>Assets</b>					
Property, plant and equipment	4	28,607,303	29,666,904	–	–
Right-of-use assets	4	1,545,399	2,461,711	–	–
Investment property	5	320,749	330,653	–	–
Subsidiaries	6	–	–	29,095,544	29,095,544
Trade and other receivables	8	759,841	462,102	–	–
Deferred tax asset	12	26,405	39,096	–	–
<b>Non-current assets</b>		<u>31,259,697</u>	<u>32,960,466</u>	<u>29,095,544</u>	<u>29,095,544</u>
Inventories	7	5,697,010	5,201,641	–	–
Trade and other receivables	8	16,366,632	13,552,136	1,737,965	1,971,372
Cash and cash equivalents	9	20,368,243	20,611,778	8,710,763	10,594,061
<b>Current assets</b>		<u>42,431,885</u>	<u>39,365,555</u>	<u>10,448,728</u>	<u>12,565,433</u>
<b>Total assets</b>		<u>73,691,582</u>	<u>72,326,021</u>	<u>39,544,272</u>	<u>41,660,977</u>
<b>Shareholders' equity</b>					
Share capital	10	14,782,931	14,782,931	14,782,931	14,782,931
Reserves	11	43,521,956	43,182,770	24,020,106	26,161,805
<b>Total equity</b>		<u>58,304,887</u>	<u>57,965,701</u>	<u>38,803,037</u>	<u>40,944,736</u>
<b>Liabilities</b>					
Deferred tax liabilities	12	1,483,035	1,385,784	227,815	203,601
Trade and other payables	13	755,544	867,591	–	–
Lease liabilities	14	657,932	1,339,999	–	–
<b>Non-current liabilities</b>		<u>2,896,511</u>	<u>3,593,374</u>	<u>227,815</u>	<u>203,601</u>
Trade and other payables	13	8,867,019	7,861,437	513,420	509,055
Lease liabilities	14	951,533	1,152,578	–	–
Current tax payable		2,671,632	1,752,931	–	3,585
<b>Current liabilities</b>		<u>12,490,184</u>	<u>10,766,946</u>	<u>513,420</u>	<u>512,640</u>
<b>Total liabilities</b>		<u>15,386,695</u>	<u>14,360,320</u>	<u>741,235</u>	<u>716,241</u>
<b>Total equity and liabilities</b>		<u>73,691,582</u>	<u>72,326,021</u>	<u>39,544,272</u>	<u>41,660,977</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue	15	82,464,765	73,728,702
Cost of sales		<u>(38,423,964)</u>	<u>(33,707,743)</u>
<b>Gross profit</b>		44,040,801	40,020,959
Other income		861,985	998,244
Distribution costs		(3,144,905)	(3,209,747)
Administrative expenses		(10,918,337)	(10,315,929)
Other operating expenses		<u>(4,685,944)</u>	<u>(4,265,834)</u>
<b>Profit before tax</b>	16	26,153,600	23,227,693
Tax expense	17	<u>(6,347,049)</u>	<u>(5,167,257)</u>
<b>Profit for the year</b>		<u>19,806,551</u>	<u>18,060,436</u>
<b>Attributable to:</b>			
Owners of the Company		<u>19,806,551</u>	<u>18,060,436</u>
<b>Profit for the year</b>		<u>19,806,551</u>	<u>18,060,436</u>
<b>Other comprehensive income</b>			
<b>Item that is or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations, net of tax		(125,313)	(54,806)
<b>Item that will not be reclassified to profit or loss:</b>			
Remeasurement income on retirement benefits	13	126,549	51,980
Related tax	12	<u>(4,138)</u>	<u>(1,734)</u>
<b>Total comprehensive income for the year</b>		<u>19,803,649</u>	<u>18,055,876</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<u>19,803,649</u>	<u>18,055,876</u>
<b>Total comprehensive income for the year</b>		<u>19,803,649</u>	<u>18,055,876</u>
<b>Earnings per share (in cents) – basic and diluted</b>	18	<u>14.25</u>	<u>12.99</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2022

	Share capital \$	Foreign currency translation reserve \$	Accumulated remeasurement on retirement benefits \$	Accumulated profits \$	Total \$
At 1 July 2020	14,782,931	329,672	(149,704)	43,021,070	57,983,969
<b>Total comprehensive income for the year</b>					
Profit for the year	–	–	–	18,060,436	18,060,436
<b>Other comprehensive income</b>					
Foreign currency translation differences	–	(57,618)	2,812	–	(54,806)
Remeasurement income on retirement benefits, net of tax	–	–	50,246	–	50,246
Total other comprehensive income	–	(57,618)	53,058	–	(4,560)
Total comprehensive income for the year	–	(57,618)	53,058	18,060,436	18,055,876
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Interim dividend of 6.0 cents per share (tax-exempt) in respect of 2021	–	–	–	(8,341,912)	(8,341,912)
Final dividend of 7.0 cents per share (tax-exempt) in respect of 2020	–	–	–	(9,732,232)	(9,732,232)
<b>Total transactions with owners of the Company</b>	–	–	–	(18,074,144)	(18,074,144)
At 30 June 2021	14,782,931	272,054	(96,646)	43,007,362	57,965,701

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2022

	Share capital \$	Foreign currency translation reserve \$	Accumulated remeasurement on retirement benefits \$	Accumulated profits \$	Total \$
At 1 July 2021	14,782,931	272,054	(96,646)	43,007,362	57,965,701
<b>Total comprehensive income for the year</b>					
Profit for the year	–	–	–	19,806,551	19,806,551
<b>Other comprehensive income</b>					
Foreign currency translation differences	–	(127,507)	2,194	–	(125,313)
Remeasurement income on retirement benefits, net of tax	–	–	122,411	–	122,411
Total other comprehensive income	–	(127,507)	124,605	–	(2,902)
Total comprehensive income for the year	–	(127,507)	124,605	19,806,551	19,803,649
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Interim dividend of 6.0 cents per share (tax-exempt) in respect of 2022	–	–	–	(8,341,913)	(8,341,913)
Final dividend of 8.0 cents per share (tax-exempt) in respect of 2021	–	–	–	(11,122,550)	(11,122,550)
<b>Total transactions with owners of the Company</b>	–	–	–	(19,464,463)	(19,464,463)
At 30 June 2022	<u>14,782,931</u>	<u>144,547</u>	<u>27,959</u>	<u>43,349,450</u>	<u>58,304,887</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2022

	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Profit for the year		19,806,551	18,060,436
Adjustments for:			
Depreciation of property, plant and equipment		7,106,942	6,835,085
Depreciation of investment property		14,031	12,416
Property, plant and equipment written off		11,102	50
Gain on disposal of property, plant and equipment		(251,525)	(3,776)
Interest income		(68,210)	(54,683)
Interest expense on lease liabilities		90,948	88,472
Tax expense		6,347,049	5,167,257
		<u>33,056,888</u>	<u>30,105,257</u>
Changes:			
Inventories		(515,496)	201,715
Trade and other receivables		(3,199,774)	(81,160)
Trade and other payables		1,150,666	719,556
Cash generated from operations		30,492,284	30,945,368
Income tax paid		(5,269,943)	(5,243,908)
<b>Net cash from operating activities</b>		<u>25,222,341</u>	<u>25,701,460</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and investment property		(4,905,044)	(6,779,489)
Proceeds from disposal of property, plant and equipment		333,013	12,031
Interest received		57,023	51,138
<b>Net cash used in investing activities</b>		<u>(4,515,008)</u>	<u>(6,716,320)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(1,196,113)	(1,140,657)
Interest paid		(90,948)	(88,472)
Dividends paid		(19,464,463)	(18,074,144)
<b>Net cash used in financing activities</b>		<u>(20,751,524)</u>	<u>(19,303,273)</u>
<b>Net decrease in cash and cash equivalents</b>		(44,191)	(318,133)
Cash and cash equivalents at 1 July		20,449,978	20,651,935
Effect of exchange rate fluctuations		(195,494)	116,176
<b>Cash and cash equivalents at 30 June*</b>	9	<u>20,210,293</u>	<u>20,449,978</u>

\* Differs from cash and cash equivalents in the consolidated statements of financial position due to deposits pledged that are not considered as part of cash and cash equivalents in the consolidated statement of cash flows. Refer to note 9 for details.

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 August 2022.

## 1 DOMICILE AND ACTIVITIES

Micro-Mechanics (Holdings) Ltd. (the Company) is incorporated in Singapore. The address of the Company's registered office is 31 Kaki Bukit Place, Eunos Techpark, Singapore 416209.

The financial statements of the Group as at and for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). The changes to significant accounting policies are described in note 2.5.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

The preparation of 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.

In the application of the Group's accounting policies, management applies the following critical judgement which is expected to have a significant effect on the amounts recognised in the financial statements:

#### *Impairment on non-financial assets*

The carrying value of non-financial assets (including property, plant and equipment, investment property and investment in subsidiaries) are tested for impairment whenever there is any objective evidence or indication that the non-financial assets may be impaired. This determination and derivation of the relevant inputs requires significant judgement. This impairment assessment takes into account the market value of the asset, changes to the technological, market, economic or legal environment in which the Group operates, market interest rates, evidence of obsolescence or physical damage to the asset and changes to the expected usage to the asset.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 2 BASIS OF PREPARATION (continued)

### 2.4 Use of estimates and judgements (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 4 – valuation of property, plant and equipment

Note 6 – valuation of investments in subsidiaries

### 2.5 Changes in accounting policies

#### New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 July 2021:

- *COVID-19-Related Rent Concessions* (Amendments to SFRS(I) 16)
- *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 and interpretations does not have a material effect on the financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

### 3.1 Basis of consolidation

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial year are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the financial year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the financial year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

#### Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item which is considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented as equity in the translation reserve.

### 3.3 Property, plant and equipment Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.3 Property, plant and equipment (continued)

#### Recognition and measurement (continued)

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within income/other expenses in profit or loss.

#### Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Leasehold properties	50 years
Plant and equipment	5 to 10 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 years

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready to use, or in respect of assets under construction, from the date that the asset is completed and ready for use. Property, plant and equipment under construction are not depreciated.

Fully depreciated assets are retained in the financial statements until they are no longer in use. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

#### Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified at carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designated the asset in a way that predetermines how and for what purpose it will be used.

#### **Recognition and measurement**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

#### **Depreciation**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment loss.

#### **Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 Leases (continued)

#### **Lease liability** (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### **Short term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of machineries that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised on a straight-line basis over the estimated useful life of 60 years. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. The effects of any revision are included in profit or loss when the changes arise.

The gain or loss on disposal of an item of investment property is determined by comparing the proceeds from disposal with the carrying amount of investment property, and is recognised net within income/ other expenses in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 3.7 Financial instruments

#### Non-derivative financial assets

Financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into financial assets at amortised cost category.

#### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.7 Financial instruments (continued)

#### *Financial assets at amortised cost (continued)*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at amortised cost comprise cash and cash equivalents, and trade and other receivables, excluding advances to suppliers, prepayments and forward exchange contracts.

Cash and cash equivalents comprise cash balances and bank deposits.

#### **Financial assets: Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

#### **Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.7 Financial instruments (continued)

#### Non-derivative financial liabilities

The Group's financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Other financial liabilities comprise trade and other payables excluding advances from customers, foreign exchange contracts and retirement benefits.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

#### Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

##### *Non-trading derivatives*

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

### 3.8 Impairment

#### Non-derivative financial assets

A financial asset measured at amortised cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

##### *Financial assets at amortised cost*

Loss allowances are measured on either of the following bases:

- 12-month 'expected credit loss' (ECLs): these are ECLs that result from possible default events within 12 months after the reporting date; or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.8 Impairment (continued)

#### **Non-derivative financial assets** (continued)

##### *Financial assets at amortised cost* (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which is measured as 12-month ECLs.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

##### *Credit impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### **Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.8 Impairment (continued)

#### Non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.9 Employee benefits

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA from a recognised rating agency that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. In countries where there is no deep market in such bonds, the market yields on the government bonds shall be used.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.9 Employee benefits (continued)

#### Unconsumed leave

Employees' entitlement for unconsumed leave is recognised as a liability.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 3.10 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.10 Income tax expense (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

### 3.11 Revenue

Revenue from the manufacture and sale of precision tools is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over the product to a customer.

### 3.12 Interest income and interest expense

Interest income or expense is recognised as it accrues in profit or loss, using the effective interest method.

### 3.13 Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

### 3.14 Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

### 3.15 Government grants

An unconditional government grant related to computer software and equipment is recognised initially as deferred income at fair value. The grant is then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grant that compensates the Group for expenses incurred is recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

### 3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

### 3.18 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties \$	Plant and equipment \$	Assets under construction \$	Furniture, fittings and office equipment \$	Motor vehicles \$	Total \$
<b>Group Cost</b>						
At 1 July 2020	16,703,761	59,022,806	331,819	7,139,015	842,918	84,040,319
Additions	1,968,828	3,932,849	2,290,952	247,690	–	8,440,319
Disposals/Write-off	(19,978)	(353,821)	–	(61,120)	–	(434,919)
Reclassification	–	2,320,968	(2,320,968)	–	–	–
Transfer to investment property	(620,781)	–	–	–	–	(620,781)
Derecognition due to expiry/ termination of lease	(1,467,062)	–	–	–	–	(1,467,062)
Translation differences on consolidation	(68,596)	(338,821)	(10,809)	(30,453)	(3,450)	(452,129)
At 30 June 2021	<u>16,496,172</u>	<u>64,583,981</u>	<u>290,994</u>	<u>7,295,132</u>	<u>839,468</u>	<u>89,505,747</u>
At 1 July 2021	16,496,172	64,583,981	290,994	7,295,132	839,468	89,505,747
Additions	343,105	3,451,591	137,487	311,109	932,885	5,176,177
Disposals/Write-off	–	(605,248)	–	(192,637)	(681,101)	(1,478,986)
Reclassification	–	217,613	(217,613)	–	–	–
Transfer to investment property	(50,904)	(82,803)	–	(85,547)	–	(219,254)
Derecognition due to expiry/ termination of lease	(369,806)	–	–	–	–	(369,806)
Translation differences on consolidation	(43,717)	(84,478)	(2,138)	(75,261)	554	(205,040)
At 30 June 2022	<u>16,374,850</u>	<u>67,480,656</u>	<u>208,730</u>	<u>7,252,796</u>	<u>1,091,806</u>	<u>92,408,838</u>
<b>Accumulated depreciation and impairment loss</b>						
At 1 July 2020	8,867,361	37,463,570	–	6,214,172	435,427	52,980,530
Charge for the year	1,511,782	4,825,722	–	331,685	165,896	6,835,085
Disposals/Write-off	(19,976)	(345,532)	–	(61,106)	–	(426,614)
Transfer to investment property	(275,790)	–	–	–	–	(275,790)
Derecognition due to expiry/ termination of lease	(1,454,997)	–	–	–	–	(1,454,997)
Translation differences on consolidation	(63,048)	(189,695)	–	(25,259)	(3,080)	(281,082)
At 30 June 2021	<u>8,565,332</u>	<u>41,754,065</u>	<u>–</u>	<u>6,459,492</u>	<u>598,243</u>	<u>57,377,132</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 4 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold properties \$	Plant and equipment \$	Assets under construction \$	Furniture, fittings and office equipment \$	Motor vehicles \$	Total \$
<b>Group</b>						
At 1 July 2021	8,565,332	41,754,065	–	6,459,492	598,243	57,377,132
Charge for the year	1,564,265	5,014,776	–	345,485	182,416	7,106,942
Disposals/Write-off	–	(573,463)	–	(192,609)	(620,324)	(1,386,396)
Transfer to investment property	(50,900)	(82,801)	–	(85,546)	–	(219,247)
Derecognition due to expiry/termination of lease	(369,806)	–	–	–	–	(369,806)
Translation differences on consolidation	(47,029)	(135,130)	–	(70,439)	109	(252,489)
At 30 June 2022	<u>9,661,862</u>	<u>45,977,447</u>	<u>–</u>	<u>6,456,383</u>	<u>160,444</u>	<u>62,256,136</u>
<b>Carrying amounts</b>						
At 1 July 2020	<u>7,836,400</u>	<u>21,559,236</u>	<u>331,819</u>	<u>924,843</u>	<u>407,491</u>	<u>31,059,789</u>
At 30 June 2021	<u>7,930,840</u>	<u>22,829,916</u>	<u>290,994</u>	<u>835,640</u>	<u>241,225</u>	<u>32,128,615</u>
At 30 June 2022	<u>6,712,988</u>	<u>21,503,209</u>	<u>208,730</u>	<u>796,413</u>	<u>931,362</u>	<u>30,152,702</u>

Property, plant and equipment comprise owned and leased assets.

	2022 \$	2021 \$
Property, plant and equipment – owned	28,607,303	29,666,904
Right-of-use assets	<u>1,545,399</u>	<u>2,461,711</u>
	<u>30,152,702</u>	<u>32,128,615</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 4 PROPERTY, PLANT AND EQUIPMENT (continued)

Right-of-use assets are included in the following category of property, plant and equipment:

	<b>Group Leasehold properties \$</b>
<b>Cost</b>	
At 1 July 2020	3,791,702
Additions	1,660,830
Derecognition due to termination of lease	(1,467,062)
Translation differences on consolidation	(33,017)
At 30 June 2021	<u>3,952,453</u>
At 1 July 2021	3,952,453
Additions	283,087
Derecognition due to termination of lease	(369,806)
Translation differences on consolidation	9,688
At 30 June 2022	<u>3,875,422</u>
<b>Accumulated depreciation</b>	
At 1 July 2020	1,811,504
Charge for the year	1,171,764
Derecognition due to termination of lease	(1,454,997)
Translation differences on consolidation	(37,529)
At 30 June 2021	<u>1,490,742</u>
At 1 July 2021	1,490,742
Charge for the year	1,228,934
Derecognition due to termination of lease	(369,806)
Translation differences on consolidation	(19,847)
At 30 June 2022	<u>2,330,023</u>
<b>Carrying amounts</b>	
At 1 July 2020	<u>1,980,198</u>
At 30 June 2021	<u>2,461,711</u>
At 30 June 2022	<u>1,545,399</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 4 PROPERTY, PLANT AND EQUIPMENT (continued)

### *Valuation of property, plant and equipment*

During the year, the Company carried out a review of the recoverable amount of MMUS's property, plant and equipment as it was in loss-making position in the past few years. The recoverable amount was determined based on value in use method. As a result of the review, no impairment loss was recognised in profit or loss during the year (and in 2021).

### *Transfer to investment property*

In 2021, an industrial building in Malaysia was transferred to investment property (note 5) due to a change in the long-term plan on the use of the property.

## 5 INVESTMENT PROPERTY

	Note	Group \$
<b>Cost</b>		
At 1 July 2020		–
Transfer	4	620,781
Translation differences on consolidation		<u>(3,623)</u>
At 30 June 2021		617,158
Transfer	4	219,254
Additions		11,954
Disposal		(1,071)
Translation differences on consolidation		<u>(18,576)</u>
At 30 June 2022		<u>828,719</u>
<b>Accumulated depreciation</b>		
At 1 July 2020		–
Transfer	4	275,790
Charge for the year		12,416
Translation differences on consolidation		<u>(1,701)</u>
At 30 June 2021		286,505
Transfer	4	219,247
Charge for the year		14,031
Disposal		(1,071)
Translation differences on consolidation		<u>(10,742)</u>
At 30 June 2022		<u>507,970</u>
		<b>Group \$</b>
<b>Carrying amounts</b>		
At 1 July 2020		–
At 30 June 2021		<u>330,653</u>
At 30 June 2022		<u>320,749</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 5 INVESTMENT PROPERTY (continued)

In 2021, a leasehold property was transferred from property, plant and equipment to investment property arising from a change in the long-term plan on the use of the property which would be to lease out to generate rental income. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets. The fair value of the investment property as at 30 June 2022 is \$3,159,000 (2021: \$2,071,040) (categorised under level 3 of the fair value hierarchy: unobservable inputs used in estimating the fair value of the investment property).

### *Valuation of investment property*

In 2022, 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. In 2021, 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. The most significant input in the approach was the price per square foot which would increase/(decrease) the estimated fair value if the price per square foot was higher/(lower).

The following table shows the Group's valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
<i>Market comparison technique:</i> The fair value was determined by analysing comparable sales of similar properties located in the general vicinity and adjusted for factors affecting the value.	Not applicable	Not applicable

The following items have been recorded in profit or loss:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Rental income	121,464	123,225
Direct operating expenses	(13,790)	(15,541)

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Less than one year	9,951	122,321
One to two years	–	10,193
Total	9,951	132,514

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 6 SUBSIDIARIES

	Company	
	2022	2021
	\$	\$
Investments in subsidiaries, at cost	35,527,955	35,527,955
Impairment losses	(6,432,411)	(6,432,411)
	29,095,544	29,095,544

The investments in subsidiaries in the Company's statement of financial position are stated at cost less accumulated impairment losses. Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Percentage of equity held by the Group		Cost	
			2022	2021	2022	2021
			%	%	\$	\$
Micro-Mechanics Pte Ltd <sup>1</sup>	Manufacturing of precision tools	Singapore	100	100	5,463,500	5,463,500
Micro-Mechanics Technology Sdn Bhd <sup>2</sup>	Manufacturing of precision tools	Malaysia	100	100	856,875	856,875
Micro-Mechanics Technology International, Inc. <sup>3</sup>	Manufacturing of precision tools	The Philippines	100	100	347,200	347,200
Micro-Mechanics Technology (Suzhou) Co. Ltd <sup>2</sup>	Manufacturing of precision tools	People's Republic of China	100	100	2,544,407	2,544,407
Micro-Mechanics Inc. <sup>4</sup>	Manufacturing of precision components and modules and sale of precision tools	United States of America	100	100	26,315,973	26,315,973
					35,527,955	35,527,955

1 Audited by KPMG LLP, Singapore.

2 Audited by other member firms of KPMG International.

3 Audited by Roxas Cruz Tagle and Co.

4 Audited by Fiondella, Milone & LaSaracina LLP.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 6 SUBSIDIARIES (continued)

KPMG LLP is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are the auditors of significant foreign-incorporated subsidiaries except for MMUS which is audited by Fiondella, Milone & LaSaracina LLP. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

During the year, the Company carried out a review of the recoverable amount of its investment in MMUS. The recoverable amount was determined based on value in use method using a discount rate of 11.25% (2021: 11.25%). As a result of the review, no additional impairment loss was recognised in profit or loss during the year (and in 2021).

## 7 INVENTORIES

	Group	
	2022	2021
	\$	\$
Raw materials	1,787,778	1,597,758
Work-in-progress	1,796,751	1,647,180
Finished goods	2,112,481	1,956,703
	<u>5,697,010</u>	<u>5,201,641</u>

In 2022, raw materials and changes in finished goods and work-in-progress recognised in cost of sales amounted to \$28,033,507 (2021: \$23,627,735).

### *Valuation of inventories*

The valuation of inventory at the lower of cost and net realisable value requires the Group to review inventories for their saleability and for indicators of obsolescence. This requires management to make estimates based on future market demand and their past experiences with similar inventories. In addition, judgements and estimates regarding future selling prices, level of demand and indicators of obsolescence must be made and used in connection with evaluating whether such write-downs are necessary and the amounts of such write-downs.

## 8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2021	2021
	\$	\$	\$	\$
Trade receivables	15,613,437	12,867,220	-	-
Other receivables	51,263	71,240	641	-
Deposits	404,295	344,918	-	-
Amount owing by subsidiaries (non-trade)	-	-	1,724,349	1,959,622
Financial assets at amortised cost	16,068,995	13,283,378	1,724,990	1,959,622
Advances to suppliers	385,113	137,382	-	-
Prepayments	672,093	593,203	12,975	11,750
Forward exchange contracts	272	275	-	-
Trade and other receivables	<u>17,126,473</u>	<u>14,014,238</u>	<u>1,737,965</u>	<u>1,971,372</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 8 TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Non-current	759,841	462,102	–	–
Current	16,366,632	13,552,136	1,737,965	1,971,372
	<u>17,126,473</u>	<u>14,014,238</u>	<u>1,737,965</u>	<u>1,971,372</u>

The Group's non-current trade and other receivables of \$759,841 (2021: \$462,102) was due to advance payment made to suppliers to purchase plant and equipment and security deposits.

### Amounts due from subsidiaries (non-trade)

Outstanding non-trade balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts are classified as current as the Company expects to receive payment within the next 12 months.

## 9 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash at banks and on hand	8,929,233	18,614,478	710,763	10,594,061
Fixed deposits	11,439,010	1,997,300	8,000,000	–
	<u>20,368,243</u>	<u>20,611,778</u>	<u>8,710,763</u>	<u>10,594,061</u>
Deposits pledged	(157,950)	(161,800)		
Cash and cash equivalents in the statement of cash flows	<u>20,210,293</u>	<u>20,449,978</u>		

The deposits pledged are for the banker's guarantees issued on behalf of subsidiary in Malaysia.

## 10 SHARE CAPITAL

Group and Company	2022		2021	
	No. of shares	\$	No. of shares	\$
<b>Fully paid ordinary shares, with no par value</b>				
As at 1 July and 30 June	<u>139,031,881</u>	<u>14,782,931</u>	<u>139,031,881</u>	<u>14,782,931</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary share rank equally with regard to the Company's residual assets.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 10 SHARE CAPITAL (continued)

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders.

The Group defines capital as share capital and accumulated profits.

The Group aims to obtain an optimal capital structure by balancing capital efficiency and financial flexibility. The Group manages the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets.

There were no changes in the Group's approach in capital management during the year.

The Group and its subsidiaries are not subject to externally imposed capital requirements.

### Dividends

The following dividends were declared and paid by the Group and the Company:

#### For the year ended 30 June

	Group and Company	
	2022	2021
	\$	\$
Final tax-exempt dividend paid of 8.0 cents (2020: 7.0 cents) per share in respect of previous financial year	11,122,550	9,732,232
Interim tax-exempt dividend paid of 6.0 cents (2021: 6.0 cents) per share in respect of current financial year	<u>8,341,913</u>	<u>8,341,912</u>
	<u>19,464,463</u>	<u>18,074,144</u>

After the reporting date, the following dividends were proposed by the directors. The dividends have not been provided for, and there are no income tax consequences.

	Group and Company	
	2022	2021
	\$	\$
Final proposed tax-exempt dividend of 8.0 cents (2021: 8.0 cents) per share	<u>11,122,550</u>	<u>11,122,550</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 11 RESERVES

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Accumulated profits	43,349,450	43,007,362	24,020,106	26,161,805
Foreign currency translation reserve	144,547	272,054	–	–
Accumulated remeasurement on retirement benefits	27,959	(96,646)	–	–
	<u>43,521,956</u>	<u>43,182,770</u>	<u>24,020,106</u>	<u>26,161,805</u>

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The accumulated remeasurement on retirement benefits comprise actuarial gains and losses which are recognised immediately in other comprehensive income in the period which they arise.

In accordance with the Company Law of the People's Republic of China ("PRC"), the Group's PRC subsidiaries are required to appropriate 10% of their profit after taxation to a statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into paid-up capital, provided that the balance after such conversion is not less than 25% of the registered capital of the PRC subsidiary.

Included within accumulated profits is a statutory surplus reserve amounting to \$1,282,736 (2021: \$1,282,736).

## 12 DEFERRED TAX LIABILITIES

Movement in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group	At	Recognised	Recognised	Exchange	At	Recognised	Recognised	Exchange	At
	1 July	in profit	in other		30 June	in profit	in other		30 June
	2020	or loss	comprehensive	differences	2021	or loss	comprehensive	differences	2022
	\$	(note 17)	income	\$	\$	(note 17)	income	\$	\$
<b>Deferred tax (assets)/ liabilities</b>									
Property, plant and equipment	1,385,859	36,116	–	(4,479)	1,417,496	163,553	–	(30,401)	1,550,648
Others	8,402	(82,069)	1,734	1,125	(70,808)	(28,614)	4,138	1,266	(94,018)
	<u>1,394,261</u>	<u>(45,953)</u>	<u>1,734</u>	<u>(3,354)</u>	<u>1,346,688</u>	<u>134,939</u>	<u>4,138</u>	<u>(29,135)</u>	<u>1,456,630</u>

During the year, the Company's deferred tax expense of \$24,214 (2021: deferred tax credit of \$7,161) for temporary differences related to investments in subsidiaries was recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 12 DEFERRED TAX LIABILITIES (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Deferred tax liabilities	1,483,035	1,385,784	227,815	203,601
Deferred tax assets	(26,405)	(39,096)	–	–
Net deferred tax liabilities	<u>1,456,630</u>	<u>1,346,688</u>	<u>227,815</u>	<u>203,601</u>

## 13 TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Trade payables	1,546,960	1,170,787	–	–
Other payables	1,595,642	1,063,516	30,205	29,244
Accrued expenses	5,883,947	5,834,585	483,215	479,811
Advances from customers	132,582	102,963	–	–
Forward exchange contracts	41,234	32,992	–	–
Provision for retirement benefits	422,198	524,185	–	–
	<u>9,622,563</u>	<u>8,729,028</u>	<u>513,420</u>	<u>509,055</u>
Non-current	755,544	867,591	–	–
Current	<u>8,867,019</u>	<u>7,861,437</u>	<u>513,420</u>	<u>509,055</u>
	<u>9,622,563</u>	<u>8,729,028</u>	<u>513,420</u>	<u>509,055</u>

Included in accrued expenses is a provision for reinstatement costs of:

Group	Reinstatement costs
	\$
At 1 July 2020	198,941
Unwind of discount on reinstatement costs	<u>11,222</u>
At 30 June 2021	<u>210,163</u>
At 1 July 2021	210,163
Unwind of discount on reinstatement costs	<u>11,855</u>
At 30 June 2022	<u>222,018</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 13 TRADE AND OTHER PAYABLES (continued)

The provision is due within 2 to 5 years and is classified as non-current liabilities.

The Group's non-current trade and other payables also include the provision for retirement benefits for employees of \$422,198 (2021: \$524,185).

The maturity analysis shows the undiscounted cash flows of the Group's and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

### Provision for retirement benefits

The Group has an unfunded, non-contributory defined benefits retirement plan covering its permanent employees. Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is 30 June 2022.

The following table shows the reconciliation from the opening balances to the closing balances of the retirement benefits liability recognised in the statement of financial position.

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
At 1 July	524,185	519,052
<b>Included in profit or loss</b>		
Current service cost	38,802	42,457
Interest cost	25,100	21,912
	<u>63,902</u>	<u>64,369</u>
<b>Included in other comprehensive income</b>		
<b>Remeasurements arising from:</b>		
Experience adjustment	(103,480)	(53,683)
Changes in demographic assumptions	(778)	–
Change in financial assumptions	(22,291)	1,703
	<u>(126,549)</u>	<u>(51,980)</u>
<b>Exchange difference</b>	<u>(39,340)</u>	<u>(7,256)</u>
<b>At 30 June</b>	<u>422,198</u>	<u>524,185</u>

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>%</b>
Discount rate	6.46	4.97
Salary increase rate	<u>5.00</u>	<u>5.00</u>

The discount rate assumption is based on the Bankers Association of the Philippines' PHP Bloomberg BVAL Reference Rates benchmark reference curve for the government securities market as of the valuation dates (or latest available), considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 13 TRADE AND OTHER PAYABLES (continued)

The weighted-average duration of the retirement benefits obligation is 13.8 years (2021: 15.6 years).

Assumptions regarding future mortality have been based on published statistics and mortality tables.

### *Funding Policy*

Benefit claims under the retirement benefits obligation are paid directly by the Group when they become due. The Group is not expected to make contributions in 2022.

### *Sensitivity Analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below.

	Group			
	2022		2021	
	1% Increase \$	1% Decrease \$	1% Increase \$	1% Decrease \$
Discount rate	(52,913)	63,255	(73,859)	88,683
Salary increase rate	61,942	(54,056)	89,642	(74,483)

While the Group believes that, the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the recognised income and expenses and related assets or obligations.

The retirement benefits obligation is exposed to actuarial and longevity risks.

### *Maturity Profile*

No future benefits payments are expected until the financial year 2026.

## 14 LEASE LIABILITIES

	2022 \$	2021 \$
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than one year	1,001,935	1,236,089
One to two years	728,454	884,498
Two to three years	–	497,613
<b>Total undiscounted lease liabilities</b>	<u>1,730,389</u>	<u>2,618,200</u>
<b>Lease liabilities included in the statement of financial position</b>		
– Current	951,533	1,152,578
– Non-current	657,932	1,339,999
	<u>1,609,465</u>	<u>2,492,577</u>

The Group applies practical expedient in paragraph C9(a) and C10(c) of SFRS(I) 16, that resulted in not applying the requirements in paragraphs 22 to 49 of SFRS(I) 16 to short-term leases and leases for which the underlying asset is of low value.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 14 LEASE LIABILITIES (continued)

### Reconciliation of movements of lease liabilities to cash flows arising from financing activities

\$

At 1 July 2020	1,979,862
<b>Changes from financing cash flows</b>	
Payment of lease liabilities	(1,140,657)
Interest paid	(88,472)
<b>Total changes from financing cash flows</b>	(1,229,129)
<b>Other changes</b>	
Addition of lease liabilities	1,660,830
Derecognition of lease liabilities	(12,164)
Interest expense on lease liabilities	88,472
<b>Total other changes</b>	1,737,138
<b>Translation difference on consolidation</b>	4,706
At 30 June 2021	<u>2,492,577</u>
At 1 July 2021	2,492,577
<b>Changes from financing cash flows</b>	
Payment of lease liabilities	(1,196,113)
Interest paid	(90,948)
<b>Total changes from financing cash flows</b>	(1,287,061)
<b>Other changes</b>	
Addition of lease liabilities	283,087
Interest expense on lease liabilities	90,948
<b>Total other changes</b>	374,035
<b>Translation difference on consolidation</b>	29,914
At 30 June 2022	<u>1,609,465</u>

## 15 REVENUE

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

<b>Nature of goods</b>	The Group manufactures and sells precision tools and components.
<b>When revenue is recognised</b>	Revenue from the sale of goods is recognised at a point in time when goods are delivered to the customers' site and all criteria of acceptance have been satisfied.
<b>Significant payment terms</b>	Invoices are typically issued upon delivery of goods and are payable within 30 to 60 days.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 16 PROFIT BEFORE TAX

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

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Other income:		
– Exchange gain (net)	57,018	–
– Interest income	68,210	54,683
– Gain on disposal of property, plant and equipment	251,525	3,776
– Government grants	76,774	650,251
– Rental income	121,464	123,225
– Others	286,994	166,309
	<u>861,985</u>	<u>998,244</u>
Staff costs:		
– Wages and salaries	24,330,067	22,607,971
– Contribution to defined contribution plans	2,671,657	2,334,275
– Employee benefit expense	63,902	64,369
	<u>27,065,626</u>	<u>25,006,615</u>

Government grants relate to a wage subsidy programme introduced in Singapore in response to the COVID-19 coronavirus pandemic. The grant was recognised in profit or loss in 'other income' as the related wages and salaries for the employees were recognised over the period of economic uncertainty as defined under the programme.

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Interest on lease liabilities	90,948	88,472
Exchange loss (net)	–	4,641
Expenses relating to short term leases	4,861	12,539
Expenses related to leases of low value assets, excluding short term leases of low value assets	7,460	4,296
Audit fees:		
– auditors of the Company	137,400	120,000
– other member firms of the auditors of the Company	45,024	51,948
– other auditors	69,881	68,964
Non-audit fees:		
– auditors of the Company	16,400	16,400
– other member firms of the auditors of the Company	3,374	4,401
– other auditors	12,925	28,477
Depreciation of property, plant and equipment	7,106,942	6,835,085
Depreciation of investment property	14,031	12,416
Directors' remuneration:		
– directors of the Company	3,255,000	3,113,746
– other directors	246,474	169,286
Inventories written off	141,135	130,371
Property, plant and equipment written off	<u>11,102</u>	<u>50</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 17 TAX EXPENSE

	Group	
	2022	2021
	\$	\$
<b>Tax charge</b>		
Current year	6,232,475	5,248,494
Over provision in prior years	<u>(20,365)</u>	<u>(35,284)</u>
	<u>6,212,110</u>	<u>5,213,210</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	110,020	355
Under/(Over) provision in prior years	<u>24,919</u>	<u>(46,308)</u>
	<u>134,939</u>	<u>(45,953)</u>
<b>Total tax expenses</b>	<u>6,347,049</u>	<u>5,167,257</u>
<b>Reconciliation of effective tax rate</b>		
<b>Profit before tax</b>	<u>26,153,600</u>	<u>23,227,693</u>
Income tax calculated using the statutory tax rate of 17% (2021: 17%)	4,446,112	3,948,708
Non-deductible expenses	216,318	225,316
Income not subjected to tax	(115,430)	(161,474)
Recognition of tax effect of previously unrecognised tax losses	–	(207,149)
Effect of tax incentives granted	(71,024)	(35,378)
Effect of tax rate in foreign jurisdictions	1,217,611	817,093
Withholding tax paid in foreign jurisdictions	661,110	648,145
Under/(Over) provision in prior years	4,554	(81,592)
Others	<u>(12,202)</u>	<u>13,588</u>
	<u>6,347,049</u>	<u>5,167,257</u>

During the year, Micro-Mechanics Inc. recorded a loss before tax of US\$44,501. The tax losses brought forward are subject to agreement with the tax authorities and compliance with tax regulations in the jurisdiction in which the subsidiary operate. Cumulative deferred tax assets with respect to taxable losses of US\$8,724,765 (2021: US\$8,680,264) have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 18 EARNINGS PER SHARE

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

	Group	
	2022	2021
	\$	\$
Net profit for the year	<u>19,806,551</u>	<u>18,060,436</u>
Number of shares outstanding during the year	<u>139,031,881</u>	<u>139,031,881</u>

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.

## 19 RELATED PARTIES

### Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and the facility heads of the Company and its subsidiaries are considered as key management personnel of the Group.

	Group	
	2022	2021
	\$	\$
Short-term benefits of key management personnel	4,151,724	3,995,089
Defined contribution and defined benefit plans	<u>87,201</u>	<u>79,900</u>

### Key management personnel and director transactions

The Group has an agreement with Sarcadia LLC, a shareholder of the Company and a company which is controlled by Christopher Reid Borch, a director of the Company, for the lease of a premise which is used as the office of Micro-Mechanics, Inc. The Group entered into an additional agreement with Sarcadia LLC in 2019 for the provision of electrical services. During the year, the Group made lease payments of \$571,400 (2021: \$537,493) and electrical services payments of \$217,884 (2021: \$183,684) to Sarcadia LLC. As at 30 June 2022, the amount of lease liability recognised for the lease of building is \$1,078,828 (2021: \$1,561,109). The balance is not secured and is payable under normal payment terms.

## 20 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing the risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 20 FINANCIAL RISK MANAGEMENT (continued)

### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

#### *Financial assets at amortised cost*

The following analysis provides further details about the calculation of expected credit loss (ECLs) related to trade receivables. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The ECLs were calculated based on actual credit loss experience over the past 3 years. The Group performed the calculation of ECL rates separately for distributors, subsidiaries and other customers. The Group also considers the demographics of the customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Based on Group's assessment, there are no ECLs recognised during the financial year.

The maximum exposure to credit risk for financial assets at amortised cost (excluding deposits) at the reporting date by type of customer is:

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Distributors	259,863	217,060	–	–
Direct customers	15,366,739	12,707,939	–	–
Subsidiaries	–	–	1,724,349	1,959,622
Others	38,098	13,461	641	–
	<u>15,664,700</u>	<u>12,938,460</u>	<u>1,724,990</u>	<u>1,959,622</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 20 FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

#### Financial assets at amortised cost (continued)

The maximum exposure to credit risk for financial assets at amortised cost (excluding deposits) at the reporting date by geographical location is:

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Singapore	1,831,989	1,748,338	641	–
Malaysia	2,786,731	2,417,189	–	–
Philippines	743,767	808,206	1,724,349	1,959,622
Thailand	237,808	190,052	–	–
USA	2,701,439	1,364,329	–	–
Europe	448,206	412,589	–	–
China	5,876,227	4,670,859	–	–
Japan	173,434	169,994	–	–
Taiwan	787,460	1,015,644	–	–
Others	77,639	141,260	–	–
	<u>15,664,700</u>	<u>12,938,460</u>	<u>1,724,990</u>	<u>1,959,622</u>

The aging of financial assets at amortised cost (excluding deposits) at the reporting date is:

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Current	12,733,694	10,143,441	1,589,617	1,017,918
Past due 1 – 30 days	2,443,286	2,407,103	–	–
Past due 31 – 60 days	398,000	338,560	–	–
More than 60 days	89,720	49,356	135,373	941,704
	<u>15,664,700</u>	<u>12,938,460</u>	<u>1,724,990</u>	<u>1,959,622</u>

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains the following line of credit:

- \$2,000,000 overdraft facility that is unsecured. Interest would be payable at 1.25% above the DBS Bank Prime rate.

At the reporting date, the Group has no outstanding payable on the line of credit.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 20 FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk (continued)

The following is the expected contractual undiscounted cash outflows of financial liabilities and derivative financial instruments:

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 2 to 5 years \$
<b>Group</b>				
<b>30 June 2022</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables*	(3,843,671)	(3,843,671)	(3,732,344)	(111,327)
<b>Derivative financial instruments</b>				
Forward exchange contracts – liabilities	(40,962)			
– Gross payments		(3,895,475)	(3,895,475)	–
– Gross receipts		3,854,513	3,854,513	–
		(40,962)	(40,962)	–
<b>30 June 2021</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables*	(3,072,618)	(3,072,618)	(2,939,374)	(133,244)
<b>Derivative financial instruments</b>				
Forward exchange contracts – liabilities	(32,717)			
– Gross payments		(3,536,913)	(3,536,913)	–
– Gross receipts		3,504,196	3,504,196	–
		(32,717)	(32,717)	–

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

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$
<b>Company</b>			
<b>30 June 2022</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	(513,420)	(513,420)	(513,420)
<b>30 June 2021</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	(509,055)	(509,055)	(509,055)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 20 FINANCIAL RISK MANAGEMENT (continued)

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's exposure to foreign currency risk relates primarily to its US dollar, Japanese yen and Philippines peso denominated financial assets and liabilities. The Group is also exposed to the foreign currencies of the countries in which the subsidiaries operate. The Group endeavours to minimise such exposures as far as possible by matching assets and liabilities of the same currency although there is no formal hedging policy. As at 30 June 2022, the Group had outstanding foreign exchange contracts with notional amounts of approximately \$3,854,513 (2021: \$3,504,196) to manage exposure to foreign currency fluctuation.

The Group's and Company's exposure to foreign currency risks in the Singapore dollar equivalents are as follows:

	US dollar \$	Japanese yen \$
<b>Group</b>		
<b>30 June 2022</b>		
Trade and other receivables	3,475,224	173,434
Cash and cash equivalents	1,036,026	14,984
Trade and other payables	(147,681)	(13,117)
	<u>4,363,569</u>	<u>175,301</u>
<b>30 June 2021</b>		
Trade and other receivables	3,767,468	169,994
Cash and cash equivalents	1,110,524	14,470
Trade and other payables	(141,268)	(64,451)
	<u>4,736,724</u>	<u>120,013</u>
	US dollar \$	Philippines peso \$
<b>Company</b>		
<b>30 June 2022</b>		
Trade and other receivables	–	1,724,349
Cash and cash equivalents	1,734	–
	<u>1,734</u>	<u>1,724,349</u>
<b>30 June 2021</b>		
Trade and other receivables	–	1,959,622
Cash and cash equivalents	136,810	–
	<u>136,810</u>	<u>1,959,622</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 20 FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase/ (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2022 \$	2021 \$
<b>Group</b>		
US dollar	(436,357)	(473,672)
Japanese yen	<u>(17,530)</u>	<u>(12,001)</u>
<b>Company</b>		
US dollar	(173)	(13,681)
Philippines peso	<u>(172,435)</u>	<u>(195,962)</u>

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Interest rate risk

##### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments a change in interest rates at the reporting date would not affect profit or loss.

##### Cash flow sensitivity analysis for variable rate instruments

The Group does not have any variable rate instruments as at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 20 FINANCIAL RISK MANAGEMENT (continued)

### *Accounting classifications and fair values*

#### *Fair value versus carrying amounts*

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

	Note	Financial assets at amortised cost \$	Designated at fair value \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
<b>Group</b>						
<b>30 June 2022</b>						
Trade and other receivables*	8	16,068,995	–	–	16,068,995	
Forward exchange contracts – asset	8	–	272	–	272	272
Cash and cash equivalents	9	<u>20,368,243</u>	<u>–</u>	<u>–</u>	<u>20,368,243</u>	
		<u>36,437,238</u>	<u>272</u>	<u>–</u>	<u>36,437,510</u>	
Trade and other payables**	13	–	–	(3,843,671)	(3,843,671)	
Forward exchange contracts – liability	13	<u>–</u>	<u>(41,234)</u>	<u>–</u>	<u>(41,234)</u>	(41,234)
		<u>–</u>	<u>(41,234)</u>	<u>(3,843,671)</u>	<u>(3,884,905)</u>	
<b>Group</b>						
<b>30 June 2021</b>						
Trade and other receivables*	8	13,283,378	–	–	13,283,378	
Forward exchange contracts – asset	8	–	275	–	275	275
Cash and cash equivalents	9	<u>20,611,778</u>	<u>–</u>	<u>–</u>	<u>20,611,778</u>	
		<u>33,895,156</u>	<u>275</u>	<u>–</u>	<u>33,895,431</u>	
Trade and other payables**	13	–	–	(3,072,618)	(3,072,618)	
Forward exchange contracts – liability	13	<u>–</u>	<u>(32,992)</u>	<u>–</u>	<u>(32,992)</u>	(32,992)
		<u>–</u>	<u>(32,992)</u>	<u>(3,072,618)</u>	<u>(3,105,610)</u>	

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 20 FINANCIAL RISK MANAGEMENT (continued)

### **Accounting classifications and fair values** (continued)

### **Fair value versus carrying amounts** (continued)

	Note	Financial assets at amortised cost \$	Designated at fair value \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
<b>Company</b>						
<b>30 June 2022</b>						
Trade and other receivables*	8	1,724,990	–	–	1,724,990	
Cash and cash equivalents	9	8,710,763	–	–	8,710,763	
		<u>10,435,753</u>	<u>–</u>	<u>–</u>	<u>10,435,753</u>	
Trade and other payables**	13	<u>–</u>	<u>–</u>	<u>(513,420)</u>	<u>(513,420)</u>	
<b>30 June 2021</b>						
Trade and other receivables*	8	1,959,622	–	–	1,959,622	
Cash and cash equivalents	9	10,594,061	–	–	10,594,061	
		<u>12,553,683</u>	<u>–</u>	<u>–</u>	<u>12,553,683</u>	
Trade and other payables**	13	<u>–</u>	<u>–</u>	<u>(509,055)</u>	<u>(509,055)</u>	

\* Excluding advances to suppliers, prepayments 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).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 20 FINANCIAL RISK MANAGEMENT (continued) Accounting classifications and fair values (continued) Fair value versus carrying amounts (continued)

	Group	
	Level 2	Total
	\$	\$
<b>Group</b>		
<b>30 June 2022</b>		
Forward exchange contracts – asset	272	272
Forward exchange contracts – liability	(41,234)	(41,234)
	<u>          </u>	<u>          </u>
<b>30 June 2021</b>		
Forward exchange contracts – asset	275	275
Forward exchange contracts – liability	(32,992)	(32,992)
	<u>          </u>	<u>          </u>

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Forward exchange contracts	<i>Market comparison technique:</i> The fair values are based on financial institutions quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

## 21 SEGMENT REPORTING

The Group has five reportable segments, as discussed below, which are the Group's strategic business units. The strategic business units are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Executive Directors review internal management reports regularly. The following describes the operations in each of the Group's reportable segments:

- Singapore: Includes manufacturing and distributing of precision tools
- Malaysia: Includes manufacturing and distributing of precision tools
- The Philippines: Includes manufacturing and distributing of precision tools
- USA: Includes manufacturing of precision components and modules and distributing of precision tools
- China: Includes manufacturing and distributing of precision tools

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Executive Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments.

Inter-segment pricing is determined on mutually agreed terms.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 21 SEGMENT REPORTING (continued) Operating Segments

	Singapore \$	Malaysia \$	The Philippines \$	USA \$	China \$	Elimination \$	Consolidated \$
<b>2022</b>							
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	<u>7,023,154</u>	<u>1,558,254</u>	<u>685,102</u>	<u>208</u>	<u>–</u>	<u>(9,266,718)</u>	<u>–</u>
Total revenue	<u>25,932,478</u>	<u>15,391,258</u>	<u>6,289,261</u>	<u>17,592,834</u>	<u>26,525,652</u>	<u>(9,266,718)</u>	<u>82,464,765</u>
Segment profit before tax	6,810,508	6,893,602	2,088,344	(60,543)	11,063,384	101,632	26,896,927
Unallocated expenses							<u>(743,327)</u>
Profit from operations							26,153,600
Tax expense							<u>(6,347,049)</u>
Net profit for the year							<u>19,806,551</u>
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							<u>8,724,380</u>
Total assets							<u>73,691,582</u>
Segment liabilities	3,505,629	911,808	1,260,046	2,602,986	2,438,138	–	10,718,607
Unallocated liabilities:							
Tax	1,878,733	717,172	36,584	–	1,294,364	–	3,926,853
Others							<u>741,235</u>
Total liabilities							<u>15,386,695</u>
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	<u>11,378,738</u>	<u>4,631,370</u>	<u>1,933,835</u>	<u>9,138,775</u>	<u>4,190,071</u>	<u>(13,092)</u>	<u>31,259,697</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 21 SEGMENT REPORTING (continued) Operating Segments (continued)

	Singapore \$	Malaysia \$	The Philippines \$	USA \$	China \$	Elimination \$	Consolidated \$
<b>2021</b>							
Total revenue							
from external customers	16,765,982	12,209,971	6,209,856	16,471,046	22,071,847	–	73,728,702
Inter-segment revenue	<u>6,652,238</u>	<u>1,812,977</u>	<u>323,159</u>	<u>496</u>	<u>–</u>	<u>(8,788,870)</u>	<u>–</u>
Total revenue	<u>23,418,220</u>	<u>14,022,948</u>	<u>6,533,015</u>	<u>16,471,542</u>	<u>22,071,847</u>	<u>(8,788,870)</u>	<u>73,728,702</u>
Segment profit before tax	6,055,841	5,761,213	2,248,241	1,218,522	8,599,971	140,433	24,024,221
Unallocated expenses							<u>(796,528)</u>
Profit from operations							23,227,693
Tax expense							<u>(5,167,257)</u>
Net profit for the year							<u>18,060,436</u>
Segment assets	19,172,309	11,022,197	3,567,157	16,021,711	13,479,045	(1,542,209)	61,720,210
Unallocated assets:							
Others							<u>10,605,811</u>
Total assets							<u>72,326,021</u>
Segment liabilities	4,157,921	847,227	3,189,881	2,822,793	2,637,946	(2,943,218)	10,712,550
Unallocated liabilities:							
Tax	1,684,532	640,216	44,621	–	562,161	–	2,931,530
Others							<u>716,240</u>
Total liabilities							<u>14,360,320</u>
Other segment information							
Capital expenditure	2,860,410	445,702	216,792	2,769,101	487,484	–	6,779,489
Depreciation	2,251,068	854,565	575,588	2,229,594	996,264	(59,578)	6,847,501
Non-current assets	<u>11,819,191</u>	<u>4,577,906</u>	<u>1,817,761</u>	<u>10,904,460</u>	<u>3,878,645</u>	<u>(37,497)</u>	<u>32,960,466</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2022

## 21 SEGMENT REPORTING (continued)

### Major customers

Revenues of major customers (contributing more than 10% of total revenue from external customers of each segment) of the reportable segments are as follows:

	Singapore	Malaysia	The Philippines	USA	China	Total
	\$	\$	\$	\$	\$	\$
<b>2022</b>						
Revenue	–	3,044,575	4,084,827	13,721,536	4,058,874	24,909,812
Number of customers	–	2	4	4	1	11
<b>2021</b>						
Revenue	–	–	4,592,247	13,811,933	3,364,181	21,768,361
Number of customers	–	–	4	4	1	9

## 22 COMMITMENTS

Apart from the obligations set out elsewhere, the Group had the following commitments as at reporting date:

	Group	
	2022	2021
	\$	\$
Capital commitments:		
– contracted but not provided for	859,030	775,089
– authorised but not contracted for	493,105	–

# SHAREHOLDERS' STATISTICS

As at 31 August 2022

## SHARE CAPITAL

Number of Shares	:	139,031,881
Class of Shares	:	Fully paid ordinary shares
Voting Rights	:	On a poll – 1 vote for each ordinary share held

Based on the information available to the Company as at 31 August 2022, the percentage of shareholding held in the hands of the public is approximately 41.85% which is more than 10% of the issued ordinary shares of the Company. Therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with. The Company did not have any treasury shares or subsidiary holdings (as defined in the Listing Manual) as at 31 August 2022.

## SUBSTANTIAL SHAREHOLDERS AS AT 31 AUGUST 2022

Name	Shareholdings beneficially held by the substantial shareholder		Other shareholdings in which the substantial shareholder is deemed to have an interest	
	No. of Shares	%	No. of Shares	%
1 Christopher Reid Borch	28,624,913*	20.59%	37,860,256**	27.23%
2 Sarcadia LLC	37,760,256*	27.16%	–	–
3 Low Ming Wah***	7,126,001	5.13%	1,000	0.00%
4 Andrea W. Borch****	–	–	37,760,256	27.16%
5 Kyle Christopher Borch****	775,000*	0.56%	37,760,256	27.16%
6 Tyler Campbell Borch****	775,000*	0.56%	37,760,256	27.16%
7 Cameron Louis Borch****	775,000*	0.56%	37,760,256	27.16%
8 Allison Ruth Borch****	775,000*	0.56%	37,760,256	27.16%

\* These shares are held in the name of their nominee, Citibank Nominees Singapore Pte Ltd

\*\* Deemed to be interested in 37,760,256 shares held by Sarcadia LLC and 100,000 shares held by his children (under joint tenant account).

\*\*\* Deemed to be interested in 1,000 shares held by spouse.

\*\*\*\* Deemed to be interested in 37,760,256 shares held by Sarcadia LLC under its nominee account.

## ANALYSIS OF SHAREHOLDERS BY RANGE AS AT 31 AUGUST 2022

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued share capital
1 – 99	18	0.85	678	0.00
100 – 1,000	707	33.49	485,500	0.35
1,001 – 10,000	1,049	49.69	4,198,694	3.02
10,001 – 1,000,000	324	15.35	23,591,152	16.97
1,000,001 and above	13	0.62	110,755,857	79.66
<b>Total</b>	<b>2,111</b>	<b>100.00</b>	<b>139,031,881</b>	<b>100.00</b>

# SHAREHOLDERS' STATISTICS

As at 31 August 2022

## TWENTY LARGEST SHAREHOLDERS AS AT 31 AUGUST 2022

Name	No. of Shares	% of Issued share capital
1 Citibank Nominees Singapore Pte Ltd	81,678,531	58.75
2 Low Ming Wah	7,126,001	5.13
3 DBS Nominees Pte Ltd	4,074,900	2.93
4 Lam Yen Yong	3,340,800	2.40
5 Chow Kam Wing	2,811,000	2.02
6 Chew Kwai Yoke	2,440,300	1.75
7 Tan Eng Yam Holdings Pte Ltd	1,602,700	1.15
8 Tan Boon Khak Holdings Pte Ltd	1,541,100	1.11
9 Raffles Nominees (Pte) Limited	1,383,706	1.00
10 Tan Leng Oei	1,350,700	0.97
11 Tan Seck Wei	1,320,700	0.95
12 Yeap Lam Yang	1,045,000	0.75
13 Maybank Securities Pte Ltd	1,040,419	0.75
14 Lim Yong Wah	947,300	0.68
15 Phillip Securities Pte Ltd	880,500	0.63
16 Tan Kok Ching	880,050	0.63
17 United Overseas Bank Nominees Pte Ltd	636,700	0.46
18 Lim Low Yeok	585,700	0.42
19 IFAST Financial Pte Ltd	541,250	0.39
20 OCBC Securities Private Ltd	506,549	0.37
<b>Total</b>	<b>115,733,906</b>	<b>83.24</b>

# NOTICE OF TWENTY-SIXTH ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting of the Company will be held at Big Picture Theatre, Level 9, Capital Tower, 168 Robinson Road, Singapore 068912 on Friday, 14 October 2022 at 2.00 p.m. to transact the following business:

## Ordinary Business

- 1 To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2022 and the Auditors' Report thereon. **[Resolution 1]**
- 2 To declare a final dividend of six cents per ordinary share tax exempt (one-tier) and a special dividend of two cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2022. **[Resolution 2]**
- 3 To re-elect Mr Low Ming Wah, who retires by rotation pursuant to Regulation 97 of the Company's Constitution, as Director of the Company. **[Resolution 3]**
- 4 To re-elect Mr Kwan Yew Kwong Kenny, who retires by rotation pursuant to Regulation 97 of the Company's Constitution, as Director of the Company. **[Resolution 4]**
- 5 To approve the payment of Directors' Fees of S\$435,000 for the financial year ended 30 June 2022. **[Resolution 5]**
- 6 To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**
- 7 To transact any other business that may be transacted at an Annual General Meeting.

## Special Business

To consider and, if thought fit, to pass the following as an Ordinary Resolution, with or without modifications:—

### 8 Authority to allot and issue shares in the capital of the Company

That pursuant to Section 161 of the Companies Act 1967 (Act), the Constitution and the listing rules of the Singapore Exchange Securities Trading Limited (SGX-ST), authority be and is hereby given to the Directors of the Company to:—

- (a) (i) allot and issue shares in the capital of the Company (Shares) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements, or options (collectively, Instruments) that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

# NOTICE OF TWENTY-SIXTH ANNUAL GENERAL MEETING

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provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro-rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below); and
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:–
  - (a) new Shares arising from the conversion or exercise of convertible securities or from the exercise of share options or vesting of share awards which were issued and are outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

**[Resolution 7]**

By Order of the Board

Chow Kam Wing  
Company Secretary  
22 September 2022  
Singapore

# NOTICE OF TWENTY-SIXTH ANNUAL GENERAL MEETING

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## Explanatory Notes:

- (1) For Ordinary Resolutions 3 and 4, detailed information on the two Directors can be found in the sections on “Board of Directors”, “Corporate Information”, “Corporate Governance” and “Additional Information for Directors Seeking Re-election” in the Company’s Annual Report FY2022.

Mr Kwan Yew Kwong Kenny, if re-elected as Director of the Company, will remain as Chairman of the Remuneration Committee and a member of the Audit Committee, Nominating Committee and Risk Management/Sustainability Committee and will be considered as an independent director.

- (2) The ordinary resolution 7, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to an aggregate number not exceeding 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings, if any, in the capital of the Company, with a sub-limit of 10% for issues other than on a pro- rata basis.

## Notes:

### (A) Physical Meeting

The Annual General Meeting (“AGM”) will be held at Big Picture Theatre, Level 9, Capital Tower, 168 Robinson Road, Singapore 068912. The Notice of AGM is available on SGXNET and <https://micromechanics.listedcompany.com/>.

### (B) Submission of Proxy Form

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act 1967.

2. A proxy need not be a member of the Company.
3. The Proxy Form is available on SGXNET and <https://micromechanics.listedcompany.com/>. A printed copy of the Proxy Form can also be found in the Annual Report 2022 which will be despatched to members.
4. The Proxy Form must be submitted in the following manner:
  - if submitted electronically, be submitted via email to the Company’s Share Registrar, M & C Services Private Limited at [GPD@mncsingapore.com](mailto:GPD@mncsingapore.com); or
  - if submitted by post, be deposited at M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902in either case, by **2.00 p.m. on 11 October 2022**.
5. A member who wishes to submit a Proxy Form must complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
6. CPF and SRS investors:
  - (a) may attend the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or
  - (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 4 October 2022**.

# NOTICE OF TWENTY-SIXTH ANNUAL GENERAL MEETING

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## (C) Submission of Questions

1. Members can submit their questions related to the resolutions to be tabled at the AGM live at the AGM.
2. Members can also submit their questions related to the resolutions to be tabled at the AGM to the Chairman of the Meeting, in advance of the AGM, by email to [investor@micro-mechanics.com](mailto:investor@micro-mechanics.com) or by post to the Company at Micro-Mechanics (Holdings) Ltd., 31 Kaki Bukit Place, Eunos Techpark, Singapore 416209. All questions must be submitted by **2.00 p.m. on 30 September 2022**.

When sending in your questions by post or by email, please also provide the following details:

- a. your full name;
  - b. number of shares held; and
  - c. the manner in which you hold shares in the Company (e.g. via CDP, CPF or SRS).
3. The Company will endeavour to address all substantial and relevant questions related to the resolutions to be tabled at the AGM before or at the AGM. A summary of the questions and responses will be published on SGXNET and the Company's website by 2.00 p.m. on 8 October 2022. For questions which are addressed during the AGM, the responses to such questions will be included in the minutes of the AGM which will be published on the SGXNET and the Company's website.

## (D) Annual Report

The Annual Report 2022 has been made available on SGXNET and the Company's website at <https://micromechanics.listedcompany.com/>. A printed copy of the Annual Report 2022 which includes the Notice of AGM and Proxy Form will be despatched to members.

## Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, or submitting any question prior to the AGM in accordance with the Notice of AGM dated 22 September 2022, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes: (i) processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof); (ii) addressing substantial and relevant questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions; (iii) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## NOTICE OF 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 7 November 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 7 November 2022 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Twenty-Sixth Annual General Meeting to be held on 14 October 2022, will be paid on 18 November 2022.

# ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
Date of appointment	25 June 1996	14 June 2019
Date of last re-appointment (if any)	30 October 2019	30 October 2019
Age	61	52
Country of principal residence	Singapore	Singapore
The Board's comments on this re-election/appointment	After reviewing the recommendation of the Nominating Committee and Mr. Low's performance and contribution and experience (as set out below), the Board has approved that Mr. Low stands for re-election as Executive Director.	After reviewing the recommendation of the Nominating Committee and Mr. Kwan's qualifications and experience (as set out below), the Board has confirmed Mr. Kwan's independence and approved that Mr. Kwan stands for re-election as a Non-Executive Independent Director.
Whether appointment is executive, and if so, the area of responsibility	Executive Group COO	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member, etc)	Executive Director Group COO Member of Risk Management/ Sustainability Committee	Non-Executive Independent Director Member of Remuneration Committee, Member of Audit Committee, Member of Nominating Committee, Member of Risk Management/ Sustainability Committee
Professional qualification	Diploma in Mechanical Engineering from Singapore Polytechnic; MBA from University of Hull (UK)	Bachelor of Law from National University Singapore; Advocate and Solicitor of the Supreme Court of Singapore
Working experience and occupation(s) during the past 10 years	Executive Director/Group COO, Micro-Mechanics (Holdings) Ltd	<ol style="list-style-type: none"> <li>Partner, Allen &amp; Overy LLP (June 2009 to September 2017)</li> <li>Director, Drew &amp; Napier LLC (February 2018 to February 2019)</li> <li>Partner, Baker McKenzie Wong &amp; Leow (March 2019 to present)</li> </ol>
Shareholding interest in the listed issuer and its subsidiaries	Yes 7,126,001 ordinary shares in Micro-Mechanics (Holdings) Ltd (Direct interest)	Nil

# ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interests (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code.		
Past (for the last 5 years)	<ol style="list-style-type: none"> <li>1) SBF SMEC Main Committee (Committee Member 2020-2022)</li> <li>2) Singapore Precision Engineering &amp; Technology Association (Chairman 2017-2021)</li> <li>3) Enterprise Singapore (Board member 2018-2020)</li> <li>4) EDB FEC Manufacturing Subcommittee (Committee Member 2017-2019)</li> </ol>	Nil
Present	Singapore Precision Engineering & Technology Association (Immediate Past Chairman 2021-2023)	1) Keppel DC Reit Management Pte. Ltd. (Lead Independent director -appointed on 28 February 2019)
Information required Disclose the following matters concerning an appointment of director.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

# ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

# ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

# ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

## ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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**MICRO-MECHANICS (HOLDINGS) LTD.**

(Incorporated in the Republic of Singapore)

(Company Registration No: 199604632W)

**PROXY FORM**

This proxy form has been made available on SGXNET and the Company's website at <https://micromechanics.listedcompany.com/>. A printed copy of the Annual Report 2022 which includes this proxy form will be despatched to members.

**IMPORTANT**

1. Relevant intermediaries as defined in Section 181 of the Companies Act 1967 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Micro-Mechanics (Holdings) Ltd., this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes by 5.00 p.m. on 4 October 2022.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of Annual General Meeting dated 22 September 2022.

I/We \_\_\_\_\_ NRIC/Passport/Co. Registration No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of **MICRO-MECHANICS (HOLDINGS) LTD.** hereby appoint

Name	Address	NRIC/ Passport No.	Number of Shares Represented (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Number of Shares Represented (%)

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at Big Picture Theatre, Level 9, Capital Tower, 168 Robinson Road, Singapore 068912 on **Friday, 14 October 2022 at 2.00 p.m.** and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against, or to abstain from voting on, the Resolutions to be proposed at the AGM as indicated hereunder.

No.	Resolutions Relating To:	No. of Votes For	No. of Votes Against	No. of Votes Abstain
<b>ORDINARY BUSINESS</b>				
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2022			
2	Payment of final and special dividends			
3	Re-election of Mr Low Ming Wah as director			
4	Re-election of Mr Kwan Yew Kwong Kenny as director			
5	Approval of directors' fees			
6	Re-appointment of KPMG LLP as auditors			
<b>SPECIAL BUSINESS</b>				
7	Authority to allot and issue new shares			

Note: Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant Resolution or to abstain from voting on the relevant Resolution, please indicate with an "X" in the relevant box provided. Alternatively, if you wish to exercise some of your votes "For" or some of your votes "Against" the relevant Resolution, and/or to abstain from voting on the relevant Resolution, please insert the relevant number of Shares in the boxes provided. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
Signature(s) of Member(s) or  
Common Seal of Corporate Member

Total Number of Shares held	
(a) CDP Register	
(b) Register of Members	

**IMPORTANT**

PLEASE READ NOTES OVERLEAF

**Notes:**

1. A member should insert the total number of shares held by him. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
  
(c) CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 4 October 2022.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.

3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be submitted to the Company in the following manner:
  - if submitted electronically, be submitted via email to the Company's Share Registrar, M & C Services Private Limited at [GPD@mncsingapore.com](mailto:GPD@mncsingapore.com); or
  - if submitted by post, be deposited at M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902,in either case, by 2.00 p.m. on 11 October 2022.
5. A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
6. The instrument appointing a proxy shall be signed by the appointor or his attorney. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid. In the case of a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
7. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy if the member, being the appointor, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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# CORPORATE DIRECTORY

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## SUBSIDIARIES

### SINGAPORE

Micro-Mechanics Pte Ltd  
No. 31 Kaki Bukit Place  
Eunos Techpark  
Singapore 416209  
Tel: 65-6746-8800  
Fax: 65-6746-7700  
Mmsingapore@micro-mechanics.com

### MALAYSIA

Micro-Mechanics Technology Sdn. Bhd.  
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Free Industrial Zone  
Bayan Lepas, 11900  
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Malaysia  
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Fax: 604-643-4628  
Mmmalaysia@micro-mechanics.com

### PHILIPPINES

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Mmphilippines@micro-mechanics.com

### CHINA

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Micro-Mechanics Technology  
(Suzhou) Co., Ltd  
8A Suchun Industrial Square  
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Mmsuzhou@micro-mechanics.com

### USA

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