

**MICRO-MECHANICS (HOLDINGS) LTD**

**Condensed Interim Financial Statements  
For Second Quarter and Half Year Ended  
31 December 2022**

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**A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND HALF YEAR ENDED 31 DECEMBER 2022**

	Note	Group					
		Q2			Half year		
		Oct to Dec 2022 S\$	Oct to Dec 2021 S\$	Change	Jul to Dec 2022 S\$	Jul to Dec 2021 S\$	Change
Revenue	E4	16,720,637	20,372,878	(17.9%)	36,914,435	40,832,781	(9.6%)
Cost of sales		(9,156,102)	(9,512,332)	(3.7%)	(19,050,884)	(18,626,609)	2.3%
<b>Gross profit</b>		<b>7,564,535</b>	<b>10,860,546</b>	(30.3%)	<b>17,863,551</b>	<b>22,206,172</b>	(19.6%)
Other income	E5	160,758	141,270	13.8%	319,373	230,110	38.8%
Distribution costs		(700,067)	(805,065)	(13.0%)	(1,442,782)	(1,608,141)	(10.3%)
Administrative expenses		(2,740,476)	(2,905,619)	(5.7%)	(5,557,971)	(5,695,295)	(2.4%)
Other operating expenses		(1,508,011)	(1,179,253)	27.9%	(2,757,924)	(2,361,419)	16.8%
<b>Profit from operations</b>		<b>2,776,739</b>	<b>6,111,879</b>	(54.6%)	<b>8,424,247</b>	<b>12,771,427</b>	(34.0%)
Finance costs		-	-	-	-	-	-
<b>Profit before income tax</b>	E5	<b>2,776,739</b>	<b>6,111,879</b>	(54.6%)	<b>8,424,247</b>	<b>12,771,427</b>	(34.0%)
Income tax expense	E6	(879,862)	(1,554,440)	(43.4%)	(2,280,599)	(3,244,072)	(29.7%)
<b>Profit after tax</b>		<b>1,896,877</b>	<b>4,557,439</b>	(58.4%)	<b>6,143,648</b>	<b>9,527,355</b>	(35.5%)
<b>Non-controlling interests</b>		-	-	-	-	-	-
<b>Profit for the period</b>		<b>1,896,877</b>	<b>4,557,439</b>	(58.4%)	<b>6,143,648</b>	<b>9,527,355</b>	(35.5%)
Profit for the period		<b>1,896,877</b>	<b>4,557,439</b>	(58.4%)	<b>6,143,648</b>	<b>9,527,355</b>	(35.5%)
<b>Other comprehensive income: Item that is or may be reclassified subsequently to profit or loss:</b>							
Foreign currency translation differences for foreign operations, net of tax		(1,392,036)	(79,188)	1,657.9%	(1,608,466)	196,255	n.m.
<b>Total comprehensive income for the period</b>		<b>504,841</b>	<b>4,478,251</b>	(88.7%)	<b>4,535,182</b>	<b>9,723,610</b>	(53.4%)
Earnings per share:	E7						
Basic (SGD in cent)		1.36	3.28		4.42	6.85	
Diluted (SGD in cent)		1.36	3.28		4.42	6.85	

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

	Note	Group 31 Dec 22 S\$	Group 30 Jun 22 S\$	Company 31 Dec 22 S\$	Company 30 Jun 22 S\$
<b>Non-current assets</b>					
Property, plant and equipment	E9	27,571,125	28,607,303	-	-
Right-of-use assets		1,699,520	1,545,399	-	-
Investment property	E10	302,441	320,749	-	-
Subsidiaries		-	-	29,095,544	29,095,544
Trade and other receivables	E11	620,323	759,841	-	-
Deferred tax asset		21,417	26,405	-	-
		30,214,826	31,259,697	29,095,544	29,095,544
<b>Current assets</b>					
Inventories		5,289,120	5,697,010	-	-
Trade and other receivables	E11	12,126,737	16,366,632	618,486	1,737,965
Cash and cash equivalents		18,014,293	20,368,243	6,066,097	8,710,763
		35,430,150	42,431,885	6,684,583	10,448,728
<b>Total assets</b>		65,644,976	73,691,582	35,780,127	39,544,272
<b>Shareholders' equity</b>					
Share capital	E12	14,782,931	14,782,931	14,782,931	14,782,931
Reserves		(1,435,960)	172,506	-	-
Accumulated profits		38,370,548	43,349,450	20,351,212	24,020,106
		51,717,519	58,304,887	35,134,143	38,803,037
<b>Non-current liabilities</b>					
Deferred tax liabilities		1,622,780	1,483,035	366,984	227,815
Trade and other payables	E13	1,354,146	755,544	-	-
Lease liabilities		716,830	657,932	-	-
		3,693,756	2,896,511	366,984	227,815
<b>Current liabilities</b>					
Trade and other payables	E13	6,713,957	8,867,019	277,194	513,420
Lease liabilities		1,048,843	951,533	-	-
Current tax payable		2,470,901	2,671,632	1,806	-
		10,233,701	12,490,184	279,000	513,420
Total liabilities		13,927,457	15,386,695	645,984	741,235
<b>Total equity and liabilities</b>		65,644,976	73,691,582	35,780,127	39,544,272

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

	Share Capital	Foreign Currency Translation Reserve	Accumulated remeasure- ment on retirement benefits	Accumulated Profits	Total
	S\$	S\$	S\$	S\$	S\$
<b>The Group</b>					
As at 1 July 2021	14,782,931	272,054	(96,646)	43,007,362	57,965,701
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	-	9,527,355	9,527,355
<b>Other comprehensive income:</b>					
Foreign currency translation differences, net of tax	-	196,255	-	-	196,255
Total comprehensive income for the period	-	196,255	-	9,527,355	9,723,610
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax-exempt) in respect of FY2021	-	-	-	(11,122,551)	(11,122,551)
Total transactions with owners, recorded directly in equity	-	-	-	(11,122,551)	(11,122,551)
<b>As at 31 December 2021</b>	<b>14,782,931</b>	<b>468,309</b>	<b>(96,646)</b>	<b>41,412,166</b>	<b>56,566,760</b>
As at 1 July 2022	14,782,931	144,547	27,959	43,349,450	58,304,887
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	-	6,143,648	6,143,648
<b>Other comprehensive income:</b>					
Foreign currency translation differences, net of tax	-	(1,608,466)	-	-	(1,608,466)
Total comprehensive income for the period	-	(1,608,466)	-	6,143,648	4,535,182
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax-exempt) in respect of FY2022	-	-	-	(11,122,550)	(11,122,550)
Total transactions with owners, recorded directly in equity	-	-	-	(11,122,550)	(11,122,550)
<b>As at 31 December 2022</b>	<b>14,782,931</b>	<b>(1,463,919)</b>	<b>27,959</b>	<b>38,370,548</b>	<b>51,717,519</b>

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	<b>Share Capital</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Profits</b>	<b>Total</b>
	S\$	S\$	S\$	S\$
<b>The Company</b>				
As at 1 July 2021	14,782,931	-	26,161,805	40,944,736
<b>Total comprehensive income for the period:</b>				
Net profit for the period	-	-	3,951,070	3,951,070
Total comprehensive income for the period	-	-	3,951,070	3,951,070
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax- exempt) in respect of FY2021	-	-	(11,122,551)	(11,122,551)
Total transactions with owners, recorded directly in equity	-	-	(11,122,551)	(11,122,551)
<b>As at 31 December 2021</b>	<b>14,782,931</b>	<b>-</b>	<b>18,990,324</b>	<b>33,773,255</b>
As at 1 July 2022	14,782,931	-	24,020,106	38,803,037
<b>Total comprehensive income for the period:</b>				
Net profit for the period	-	-	7,453,656	7,453,656
Total comprehensive income for the period	-	-	7,453,656	7,453,656
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax- exempt) in respect of FY2022	-	-	(11,122,550)	(11,122,550)
Total transactions with owners, recorded directly in equity	-	-	(11,122,550)	(11,122,550)
<b>As at 31 December 2022</b>	<b>14,782,931</b>	<b>-</b>	<b>20,351,212</b>	<b>35,134,143</b>

**D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASHFLOW FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	GROUP			
	Q2		Half year	
	Oct to Dec 2022 S\$	Oct to Dec 2021 S\$	Jul to Dec 2022 S\$	Jul to Dec 2021 S\$
<b>Cash flows from operating activities</b>				
Profit for the period	1,896,877	4,557,439	6,143,648	9,527,355
Adjustments for:				
Depreciation of property, plant and equipment	1,668,813	1,769,044	3,367,495	3,500,122
Depreciation of investment property	3,452	3,452	6,983	6,525
Property, plant and equipment written off	41	9,231	48	9,231
(Gain)/loss on disposal of property, plant and equipment	(6,372)	(2,329)	(6,372)	9,353
Interest income	(50,347)	(12,094)	(90,143)	(24,339)
Interest expense on lease liabilities	20,895	22,499	38,432	48,394
Tax expense	879,862	1,554,440	2,280,599	3,244,072
<b>Operating profit before changes in working capital</b>	4,413,221	7,901,682	11,740,690	16,320,713
Inventories	(137,238)	(205,128)	162,701	(603,838)
Trade and other receivables	2,540,166	54,361	3,745,830	(1,760,788)
Trade and other payables	824,704	367,349	(1,133,879)	(417,475)
Cash generated from operations	7,640,853	8,118,264	14,515,342	13,538,612
Income tax paid	(1,438,247)	(1,829,777)	(2,216,240)	(2,718,703)
<b>Net cash from operating activities</b>	6,202,606	6,288,487	12,299,102	10,819,909
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,798,144)	(1,110,231)	(2,512,696)	(1,415,164)
Proceeds from disposal of property, plant and equipment	21,357	2,342	21,357	4,708
Interest received	50,609	12,751	80,454	22,330
<b>Net cash used in investing activities</b>	(1,726,178)	(1,095,138)	(2,410,885)	(1,388,126)
<b>Cash flows from financing activities</b>				
Lease paid	(314,757)	(321,245)	(642,314)	(641,554)
Dividends paid	(11,122,550)	(11,122,551)	(11,122,550)	(11,122,551)
<b>Net cash used in financing activities</b>	(11,437,307)	(11,443,796)	(11,764,864)	(11,764,105)
<b>Net decrease in cash and cash equivalents</b>	(6,960,879)	(6,250,447)	(1,876,647)	(2,332,322)
Cash and cash equivalents at beginning of period	25,121,079	24,425,142	20,210,293	20,449,978
Effect of exchange rate fluctuations	(298,256)	(10,591)	(471,702)	46,448
<b>Cash and cash equivalents at the end of period</b>	17,861,944	18,164,104	17,861,944	18,164,104

Note:

(i) Cash and cash equivalent is derived from:

	Group 31 Dec 22 S\$	Group 31 Dec 21 S\$
Cash and cash equivalent balances	18,014,293	18,325,954
Less: Pledged cash placed with bank	(152,349)	(161,850)
	17,861,944	18,164,104

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

### **E1 Corporate information**

Micro-Mechanics (Holdings) Ltd. (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for second quarter and half year ended 31 December 2022 comprise the Company and its subsidiaries (collectively, the Group).

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

### **E2 Basis of preparation**

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

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

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

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

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

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

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

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

New standards and amendments.

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

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

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

### **E3 Seasonal operations**

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



**E4 Revenue**

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

*Revenue breakdown by Geographical Market*

Country	Group									
	2Q23		2Q22		% change	1H23		1H22		% change
	S\$	%	S\$	%		S\$	%	S\$	%	
Singapore	2,264,351	14%	1,521,890	7%	49%	4,983,350	14%	3,230,438	8%	54%
Malaysia	2,434,124	15%	3,383,713	17%	(28%)	5,347,453	14%	6,277,382	15%	(15%)
Philippines	1,108,974	7%	1,378,507	7%	(20%)	2,694,973	7%	2,781,492	7%	(3%)
Thailand	262,373	1%	338,030	2%	(22%)	652,793	2%	666,144	1%	(2%)
China	4,368,380	26%	7,298,315	36%	(40%)	9,903,003	27%	14,575,418	36%	(32%)
USA	4,542,738	27%	4,147,504	20%	10%	9,394,220	26%	8,148,590	20%	15%
Europe	690,355	4%	602,569	3%	15%	1,583,524	4%	1,353,835	3%	17%
Japan	205,820	1%	321,980	2%	(36%)	443,232	1%	644,217	2%	(31%)
Taiwan	702,230	4%	1,120,360	5%	(37%)	1,564,161	4%	2,425,622	6%	(36%)
Rest of world	141,292	1%	260,010	1%	(46%)	347,726	1%	729,643	2%	(52%)
<b>Total</b>	<b>16,720,637</b>	<b>100%</b>	<b>20,372,878</b>	<b>100%</b>	<b>(18%)</b>	<b>36,914,435</b>	<b>100%</b>	<b>40,832,781</b>	<b>100%</b>	<b>(10%)</b>

**E5 Profit before income tax**

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

**Income:**

	Q2			Half year		
	Oct to Dec	Oct to Dec	Change	Jul to Dec	Jul to Dec	Change
	2022	2021		2022	2021	
	S\$	S\$		S\$	S\$	
Gain/(loss) on disposal of property, plant and equipment	6,372	2,329	173.6%	6,372	(9,353)	(168.1%)
Interest income from banks and others	50,347	12,094	316.3%	90,143	24,339	270.4%
Rental income	32,882	30,615	7.4%	65,062	61,116	6.5%
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	4,208	17,227	(75.6%)	15,873	30,565	(48.1%)
Exchange gain/(loss)	-	2,888	n.m.	-	(15,955)	n.m.
Others	66,949	76,117	(12.0%)	141,923	139,398	1.8%

n.m. not meaningful

**Expenses:**

	Q2			Half year		
	Oct to Dec	Oct to Dec	Change	Jul to Dec	Jul to Dec	Change
	2022	2021		2022	2021	
	S\$	S\$		S\$	S\$	
Trade receivables written off	141	-	n.m.	141	-	n.m.
Depreciation of property, plant and equipment	1,367,045	1,462,618	(6.5%)	2,759,005	2,888,108	(4.5%)
Depreciation of investment property	3,452	3,452	-	6,983	6,525	7.0%
Depreciation of right-of-use assets	301,768	306,426	(1.5%)	608,490	612,014	(0.6%)
Inventories written off	17,377	48,800	(64.4%)	37,977	85,892	(55.8%)
Exchange loss	143,043	-	n.m.	113,954	-	n.m.
Interest expense on lease liabilities	20,895	22,499	(7.1%)	38,432	48,394	(20.6%)
Property, plant and equipment written off	41	9,231	(99.6%)	48	9,231	(99.5%)

n.m. not meaningful

**E6 Income tax expense**

	Q2		Half year	
	Oct to Dec 2022 S\$	Oct to Dec 2021 S\$	Jul to Dec 2022 S\$	Jul to Dec 2021 S\$
<b>Tax charge</b>				
Current period	721,341	1,403,847	1,966,975	2,939,203
Under provision in prior years	26	5,208	4,215	12,460
	721,367	1,409,055	1,971,190	2,951,663
<b>Deferred tax</b>				
Origination and reversal of temporary differences	158,495	145,385	309,409	291,911
Under provision in prior years	-	-	-	498
	158,495	145,385	309,409	292,409
<b>Total tax expense</b>	<b>879,862</b>	<b>1,554,440</b>	<b>2,280,599</b>	<b>3,244,072</b>

**E7 Earnings per share**

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

	Group (Half year) 6 months ended	
	31 Dec 2022	31 Dec 2021
Profit for the period	6,143,648	9,527,355
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	139,031,881	139,031,881
Basic earnings per share (cents)	4.42	6.85

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

**E8 Net Asset Value**

	Group 31 Dec 22	Group 30 Jun 22	Company 31 Dec 22	Company 30 Jun 22
Net Asset Value per ordinary share (cents)	37.20	41.94	25.27	27.91

The net asset value per ordinary share is calculated based on net assets of S\$51.7 million (30 June 2022: S\$58.3 million) and 139,031,881 (30 June 2022: 139,031,881) shares in issue at the end of the current financial period reported on/immediately preceding financial year.

**E9 Property, plant and equipment**

During the financial period ended 31 December 2022, the Group acquired property, plant and equipment with an aggregate cost of S\$2,512,696 (31 December 2021: S\$1,415,164). The amount of assets disposed for financial period ended 31 December 2022 was S\$15,034 (31 December 2021: S\$23,291).

**E10 Investment Property**

The property is an industrial building located in Malaysia. The fair value of the investment property as at 31 December 2022 was S\$3,047,000 (30 June 2022: \$3,159,000). No independent valuer was engaged to perform the valuation. Management estimated the fair value of the Group's investment property by using the latest available market information for similar properties and recent experience and knowledge in the location and category of property being valued.

**E11 Trade and other receivables**

	<b>Group 31 Dec 22 S\$</b>	<b>Group 30 Jun 22 S\$</b>	<b>Company 31 Dec 22 S\$</b>	<b>Company 30 Jun 22 S\$</b>
Trade receivables	11,246,346	15,613,437	–	–
Other receivables	152,780	51,263	2,279	641
Deposits	407,984	404,295	–	–
Amount owing by subsidiaries (non-trade)	–	–	610,373	1,724,349
Financial assets at amortised cost	11,807,110	16,068,995	612,652	1,724,990
Advances to suppliers	227,138	385,113	–	–
Prepayments	678,260	672,093	5,834	12,975
Forward exchange contracts	34,552	272	–	–
Trade and other receivables	12,747,060	17,126,473	618,486	1,737,965
Non-current	620,323	759,841	–	–
Current	12,126,737	16,366,632	618,486	1,737,965
	12,747,060	17,126,473	618,486	1,737,965

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

There were no trade receivables classified under non-current assets as at 31 December 2022. The amount of S\$620,323 (30 June 2022: S\$759,841) classified as non-current comprised of mainly deposits for factory rental, utilities and advances to suppliers for the purchase of equipment.

The aging profile of the Group's trade and other receivables (excluding deposits) as at 31 December 2022 were as follows:

	<b>Group 31 Dec 22 S\$</b>	<b>Group 30 Jun 22 S\$</b>	<b>Company 31 Dec 22 S\$</b>	<b>Company 30 Jun 22 S\$</b>
Current	8,816,837	12,733,694	2,279	–
Past due 1-30 days	1,912,477	2,443,286	–	–
Past due 31-60 days	560,058	398,000	–	–
Past due 61-90 days	87,881	86,111	–	–
More than 90 days	21,873	3,609	610,373	1,724,990
	11,399,126	15,664,700	612,652	1,724,990

During the financial period ended 31 December 2022, the Group registered bad debts written off amounted to S\$141 (31 December 2021: Nil). The outstanding amounts over 90 days in past years have been generally minimal. The Group's finance team has been conscientiously engaging customers to ensure timely collection of payment.

The Board has no immediate concern on the recoverability of the trade and other receivables balances as at 31 December 2022.

**E12 Share Capital**

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

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

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

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

**E13 Trade and other payables**

	Group 31 Dec 22 S\$	Group 30 Jun 22 S\$	Company 31 Dec 22 S\$	Company 30 Jun 22 S\$
Trade payables	923,997	1,546,960	–	–
Other payables	1,428,435	1,595,642	30,728	30,205
Accrued expenses	5,126,265	5,883,947	246,466	483,215
Advances from customers	170,291	132,582	–	–
Forward exchange contracts	17	41,234	–	–
Provision for retirement benefits	419,098	422,198	–	–
	8,068,103	9,622,563	277,194	513,420
Non-current	1,354,146	755,544	–	–
Current	6,713,957	8,867,019	277,194	513,420
	8,068,103	9,622,563	277,194	513,420

**E14 Borrowings**

The Group does not have any bank borrowings for six months ended 31 December 2022 and 30 June 2022.

**E15 Financial assets and financial liabilities**

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

Group	Financial assets at amortised cost S\$	Designated at fair value S\$	Other financial liabilities S\$	Total carrying amount S\$	Fair value S\$
<b>31 December 2022</b>					
Trade and other receivables*	11,807,110	–	–	11,807,110	
Forward exchange contracts - asset	–	34,552	–	34,552	34,552
Cash and cash equivalents	18,014,293	–	–	18,014,293	
	<u>29,821,403</u>	<u>34,552</u>	<u>–</u>	<u>29,855,955</u>	

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	Financial assets at amortised cost S\$	Designated at fair value S\$	Other financial liabilities S\$	Total carrying amount S\$	Fair value S\$
<b>Group (continued)</b>					
<b>31 December 2022</b>					
Trade and other payables**	–	–	(3,328,703)	(3,328,703)	
Forward exchange contracts - liability	–	(17)	–	(17)	(17)
	–	(17)	(3,328,703)	(3,328,720)	
<b>30 June 2022</b>					
Trade and other receivables*	16,068,995	–	–	16,068,995	
Forward exchange contracts - asset	–	272	–	272	272
Cash and cash equivalents	20,368,243	–	–	20,368,243	
	36,437,238	272	–	36,437,510	
Trade and other payables**	–	–	(3,843,671)	(3,843,671)	
Forward exchange contracts - liability	–	(41,234)	–	(41,234)	(41,234)
	–	(41,234)	(3,843,671)	(3,884,905)	
<b>Company</b>					
<b>31 December 2022</b>					
Trade and other receivables*	612,652	–	–	612,652	
Cash and cash equivalents	6,066,097	–	–	6,066,097	
	6,678,749	–	–	6,678,749	
Trade and other payables**	–	–	(277,194)	(277,194)	
<b>30 June 2022</b>					
Trade and other receivables*	1,724,990	–	–	1,724,990	
Cash and cash equivalents	8,710,763	–	–	8,710,763	
	10,435,753	–	–	10,435,753	
Trade and other payables**	–	–	(513,420)	(513,420)	

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

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

*Fair value hierarchy*

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>Group</b>	<b>Level 2</b>	<b>Total</b>
	<b>S\$</b>	<b>S\$</b>
<b>31 December 2022</b>		
Forward exchange contracts – asset	34,552	34,552
Forward exchange contracts – liability	(17)	(17)
	<u>                    </u>	<u>                    </u>
<b>30 June 2022</b>		
Forward exchange contracts – asset	272	272
Forward exchange contracts – liability	(41,234)	(41,234)
	<u>                    </u>	<u>                    </u>

**E16 Segment reporting**

**Operating Segments 1H23**

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Total revenue from external customers	8,037,578	5,985,978	2,801,966	10,412,683	9,676,230	-	36,914,435
Inter-segment revenue	2,786,380	521,081	207,209	3,391	-	(3,518,061)	-
<b>Total revenue</b>	<b>10,823,958</b>	<b>6,507,059</b>	<b>3,009,175</b>	<b>10,416,074</b>	<b>9,676,230</b>	<b>(3,518,061)</b>	<b>36,914,435</b>
Segment result	1,932,801	2,790,131	1,110,273	(445,985)	3,597,993	(140,573)	8,844,640
Unallocated expenses							(420,393)
Profit from operations							8,424,247
Income tax expense	(363,688)	(680,985)	(78,247)	(5,325)	(917,641)	(234,713)	(2,280,599)
<b>Net profit for the period</b>							<b>6,143,648</b>
Segment asset	16,519,173	12,445,743	3,001,959	14,764,987	13,435,031	(596,127)	59,570,766
Unallocated assets							6,074,210
Others							6,074,210
<b>Total assets</b>							<b>65,644,976</b>
Segment liabilities	(3,389,647)	(861,783)	(886,273)	(2,138,722)	(1,951,243)	(328,912)	(9,556,580)
Unallocated liabilities							
Income tax	(1,665,908)	(721,187)	(32,040)	-	(1,305,756)	(368,790)	(4,093,681)
Others							(277,196)
<b>Total liabilities</b>							<b>(13,927,457)</b>
Other segment information:							
Capital expenditure	1,114,235	773,295	198,988	397,201	138,040	(109,063)	2,512,696
Depreciation	1,142,860	367,348	248,526	1,122,271	502,873	(9,400)	3,374,478
Non-current assets	12,063,746	4,719,885	1,830,979	8,170,415	3,542,556	(112,755)	30,214,826

**Major customers**

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	S\$	S\$	S\$	S\$	S\$	S\$
<b>1H23</b>						
Revenue	1,131,085	2,221,317	2,282,773	9,419,115	1,611,984	16,666,274
Number of customers	1	3	4	4	1	13

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**Operating Segments 1H22**

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

**Major customers**

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

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

**E17 Subsequent events**

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



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

### F1 Review

The condensed interim consolidated statement of financial position of Micro-Mechanics (Holdings) Ltd and its subsidiaries as at 31 December 2022 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the period then ended and certain explanatory notes have not been audited or reviewed.

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

Not applicable.

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

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

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

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

Not applicable.

### F2 Review of Group Performance

#### REVIEW OF PROFIT AND LOSS

##### *Semiconductor Industry Review*

According to the Semiconductor Industry Association (SIA), global semiconductor sales in September 2022 decreased on a year-on-year (yoy) basis for the first time since January 2020. Sales in September 2022 were down 3.0% yoy and 0.5% less than August 2022 on a month-on-month (mom) basis. In the following two months, the global semiconductor market continued to register yoy and mom sales declines with sales shrank 4.6% yoy and 0.3% mom in October 2022; and decreased 9.2% yoy and 2.9% mom in November 2022.

SIA said the decrease in global semiconductor sales in November 2022 was largely due to market cyclicality and macroeconomic headwinds. While sales into the Americas were up 5.2%, sales into China declined sharply by around 21% on a yoy basis.

In its Semiconductor Market Forecast released on 29 November 2022, the World Semiconductor Trade Statistics Organization (WSTS) revised its sales forecast for the worldwide semiconductor market in 2022 down to a single digit growth of 4.4% to reach US\$580 billion. WSTS lowered its growth estimation as inflation rises and end markets see weaker demand, especially those exposed to consumer spending. For 2023, the global semiconductor market is projected to decline by 4.1% to US\$557 billion.

##### *Group Revenue*

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

For the three months ended 31 December 2022 (2Q23), the Group's revenue decreased 17.9% year-on-year (yoy) to S\$16.7 million from S\$20.4 million in 2Q22. On a quarter-on-quarter (qoq) basis, Group revenue in 2Q23 also declined 17.2% from S\$20.2 million in 1Q23. The reduced sales in 2Q23 reflected the slowdown in the global

semiconductor industry, as well as the difficult conditions in our major market in China where a flare-up in COVID-19 infections triggered new curbs and targeted lockdowns to control the outbreaks.

For the six months ended 31 December 2022 (1H23), the Group's revenue decreased 9.6% to S\$36.9 million as compared to S\$40.8 million in 1H22.

**Revenue breakdown by Geographical Market**

Country	Group										
	1Q23 S\$ m	2Q23 S\$ m	%	2Q22 S\$ m	%	% change	1H23 S\$ m	%	1H22 S\$ m	%	% change
Singapore	2.7	2.3	14%	1.5	7%	48.8%	5.0	14%	3.2	8%	54.3%
Malaysia	2.9	2.4	15%	3.4	17%	(28.1%)	5.3	14%	6.3	15%	(14.8%)
Philippines	1.6	1.1	7%	1.4	7%	(19.6%)	2.7	7%	2.8	7%	(3.1%)
Thailand	0.4	0.3	1%	0.3	2%	(22.4%)	0.7	2%	0.7	1%	(2.0%)
China	5.5	4.4	26%	7.3	36%	(40.1%)	9.9	27%	14.6	36%	(32.1%)
USA	4.9	4.5	27%	4.2	20%	9.5%	9.4	26%	8.1	20%	15.3%
Europe	0.9	0.7	4%	0.6	3%	14.6%	1.6	4%	1.4	3%	17.0%
Japan	0.2	0.2	1%	0.3	2%	(36.1%)	0.4	1%	0.6	2%	(31.2%)
Taiwan	0.9	0.7	4%	1.1	5%	(37.3%)	1.6	4%	2.4	6%	(35.5%)
Rest of world	0.2	0.1	1%	0.3	1%	(45.7%)	0.3	1%	0.7	2%	(52.3%)
<b>Total</b>	20.2	16.7	100%	20.4	100%	(17.9%)	36.9	100%	40.8	100%	(9.6%)

On a geographical basis, a majority of our markets registered lower sales in 2Q23, with the exception of the Singapore, USA and Europe markets.

As a result of the global industry slowdown and pandemic situation in China, sales in this market declined 40.1% to S\$4.4 million in 2Q23. Correspondingly, revenue contribution from China contracted to 26% in 2Q23 as compared to 36% in 2Q22. Nevertheless, China remains as one of our top four largest markets.

The Group's sales in Malaysia also softened 28.1% to S\$2.4 million in 2Q23 and contributed 15% to the Group's revenue.

On the other hand, sales in the USA grew 9.5% yoy to S\$4.5 million in 2Q23 and accounted for a larger 27% of Group revenue as compared to 20% previously. The Singapore market also registered a 48.8% yoy increase in revenue to S\$2.3 million during 2Q23, as compared to S\$1.5 million in 2Q22.

**Capacity Utilisation**

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

Our average capacity utilisation rate decreased to 55% in 2Q23 from 62% in 2Q22, which was in line with the decrease in the Group's revenue.

**Gross Profit (GP) Margin**

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

The Group's gross profit decreased 30.3% yoy to S\$7.6 million in 2Q23 from S\$10.9 million in 2Q22. The significant decline in revenue contribution in 2Q23 has resulted in the underabsorption of costs as the cost structure of our operations are largely fixed in nature. Coupled with continuing inflationary pressures, the Group's gross profit margin in 2Q23 contracted to 45.2%, as compared to 53.3% in 2Q22 and 51.0% in 1Q23. For 1H23, the Group's GP margin declined to 48.4% versus 54.4% in 1H22.

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

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

The Group registered a 13.8% increase in other income to S\$161k in 2Q23 from S\$141k in 2Q22, mainly resulted from the higher interest income.

We continue to keep a close watch on our expense structure. Our distribution cost decreased to S\$0.7 million in 2Q23 mainly due to lower sales incentives which was in line with lower revenue. Administrative expenses were also down to S\$2.7 million in 2Q23 as compared to S\$2.9 million in 2Q22 due to lower performance incentives. Other operating expenses in 2Q23 increased by 27.9% to S\$1.5 million, mainly due to foreign exchange loss of S\$143k, higher salary expenses incurred at our USA plant, as well as increased engineering expenses to support the development of new parts and processes.

In aggregate, the Group's administrative, distribution and other operating expenses (net of other income) remained relatively stable at S\$4.8 million in 2Q23. As a percentage of sales, these overhead expenses were higher at 28.6% in 2Q23 compared to 23.3% in the same period a year ago.

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

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

As a result of the above, the Group's profit before tax decreased by 54.6% to S\$2.8 million in 2Q23 from S\$6.1 million in 2Q22.

Income tax expenses decreased by 43.4% to S\$0.9 million in 2Q23 from S\$1.6 million in 2Q22. The tax expenses included a provision of S\$95k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries. The Group's effective tax rate for 2Q23 increased to 31.7% in 2Q23 from 25.4% in 2Q22, due mainly to a loss registered at our USA subsidiary of S\$202k in 2Q23 as compared to S\$46k in 2Q22 and higher deferred tax.

After deducting income tax expenses, the Group's net profit decreased by 58.4% yoy to S\$1.9 million in 2Q23 from S\$4.6 million in 2Q22.

For 1H23, the Group's net profit decreased by 35.5% to S\$6.1 million from S\$9.5 million in 1H22. Net profit margin decreased to 16.6% in 1H23 as compared to 23.3% in 1H22.

Correspondingly, the Group's earnings per share decreased to 4.42 cents in 1H23 from 6.85 cents in 1H22.

***Dividend Payment***

The Board of Directors is declaring an interim dividend of 6 cents per share (one tier tax-exempt) in respect of 1H23 (6 cents per share for 1H22), which will be paid on 17 February 2023.

***Balance Sheet***

The Group remains in a sound financial position. As at 31 December 2022, it had a balance sheet with total assets of S\$65.6 million, shareholders' equity of S\$51.7 million, cash and cash equivalents of S\$18.0 million and no bank borrowings.

### *Long Term Assets*

As at 31 December 2022, non-current assets decreased marginally to S\$30.2 million as compared to S\$31.3 million as at 30 June 2022.

### *Trade Receivables*

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

Total trade receivables as at 31 December 2022 decreased to S\$11.2 million from S\$15.6 million as at 30 June 2022 which was in line with the lower revenue registered in 1H23. Of this, approximately S\$22k was outstanding for 90 days or more (30 June 2022: S\$4k). There was bad debt written off amounted to S\$141 recognised during 1H23 (1H22: Nil).

### *Trade & Other Payables*

As at 31 December 2022, our trade payables totaled S\$924k with S\$8k outstanding for 30 days or more. Non-trade payables totaled S\$1.4 million. Accrued expenses decreased to S\$4.4 million from S\$5.9 million as at 30 June 2022.

### *Long term liabilities*

As at 31 December 2022, the deferred tax liabilities was S\$1.6 million as compared to S\$1.5 million as at 30 June 2022.

### *Inventory*

The Group continuously manages its inventory to avoid over-stocking and minimise write-offs. Our inventory of S\$5.3 million as at 31 December 2022 (30 June 2022: S\$5.7 million) was 6.6% of annualised sales (30 June 2022: 6.9%). Inventory written off in 2Q23 totaled S\$17k, as compared to S\$49k in 2Q22.

### *Capital Expenditure*

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

The Group's capital expenditure in 2Q23 amounted to S\$1.8 million which comprised approximately S\$1.5 million for the acquisition of new machines and accessories for our factories in Singapore and Malaysia, as well as S\$0.2 million for renovation works undertaken at our factory in the USA. We expect to incur capital expenditure of S\$5 million in FY2023, mainly for the acquisition of new production equipment.

### *Cash Flow Analysis*

The Group generated net cash from operations of S\$6.2 million in 2Q23 (S\$6.3 million in 2Q22). After deducting net cash used in investing activities of S\$1.7 million and net cash used in financing activities of S\$11.4 million, we ended 2Q23 with cash and cash equivalents of S\$18.0 million, which included S\$0.2 million in pledged deposits.

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

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

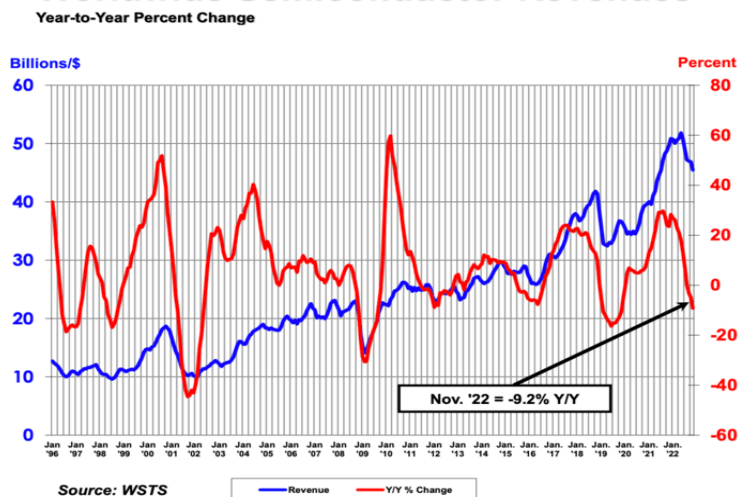
**F4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

During the past three years, the COVID-19 pandemic has resulted in significant challenges for businesses worldwide, including the Group. At the outset, we needed to quickly adjust the operating schedules of our factories, initiate remote work capability for various teams of people and put in place health protocols required by the jurisdictions in where we operate. Thanks largely to the diligent, flexible and committed efforts of our people, we managed to keep all our worldwide factories operating without a major hiccup.

The pandemic also set in motion large and abrupt changes on an unprecedented global scale, such as the shift to remote work and video-based conferencing. Together with the acceleration in e-commerce and proliferation in chip applications from the electrification of automobiles to everything moving online, these changes have fueled a huge and rapid increase in the demand for semiconductors. According to data from World Semiconductor Trade Statistics (“WSTS”), the world-wide sales of semiconductors in early 2022 jumped by more than 40% to about US\$50 billion per month compared to around US\$35 billion per month in early 2020. Global sales of semiconductor manufacturing equipment have also grown rapidly and are projected to exceed US\$100 billion in 2022, according to Semiconductor Equipment and Materials International (“SEMI”). This would represent a significant increase of over 60% from about US\$60 billion in 2020.

At the start of FY2023 however, we began to see slower market conditions for semiconductors amid softening demand and higher chip inventories especially for PCs and Smart Phones applications, which make up a major portion of total chip consumption. After hitting sales of S\$20.2 million in 1Q23, Group revenue declined 17% qoq to S\$16.7 million in 2Q23. Although we kept overhead expenses during 2Q23 steady at S\$4.8 million (S\$4.7 million in 1Q23), it is difficult to compensate for significant revenue declines in the short term due to the largely fixed-cost nature of our operations. As a result, net profit for 1H23 fell 35.5% to S\$6.1 million from S\$9.5 million in 1H22. However, owing to strong inventory and trade receivables management, we increased the net cash generated from our operations by 14% to S\$12.3 million in 1H23 from S\$10.8 million during 1H22.

**Worldwide Semiconductor Revenues**



As we move into 2H23, we believe the semiconductor industry will continue to slow until the excesses and supply-demand imbalances ease. Together with a host of economic and political concerns ranging from the tragic war between Russia and Ukraine to the uncertain outcomes in China as the country relaxes its COVID-related policies, we expect the business environment to remain challenging. We will keep shareholders updated if there are material developments that could affect the Group’s performance.

Although dealing with the current set of challenges is something new for the Group, we have always been mindful of the need to build an organization that is flexible and resilient, as well as to stay focused on various fundamentals and key progress initiatives which we believe, in the long term, will make us a stronger competitor in the industry. These include:

- Keeping an Unwavering Focus On Our Customers  
Having an unrelenting focus on our customers is a key objective. Because a single defect can cause disastrous consequences in the ultra-complex manufacturing process of semiconductors, our customers need the parts and tools that we make to be flawless. At the same time, our customers need suppliers that are responsive, cost-effective and resilient. To this end, our strategies include automating our operations and working to reduce or eliminate tedious processes that are both difficult to staff and prone to human error. Together with the Group's decentralized structure, which includes plants in Singapore, Malaysia, China, the Philippines and the United States, we intend to continue strengthening our ability to provide fast, effective and local support to our global customers. To ensure we have the requisite capacity and capabilities, the Group incurred S\$2.5 million in capital expenditure during 1H23. For all of FY2023, we expect to invest about S\$5 million which will mainly be for new production equipment.
- Maintaining a Healthy Gross-Profit Margin  
Although rapidly rising costs for everything from materials to energy and manpower put significant downward pressure on our GP margin, we maintained a healthy margin of 51.0% in 1Q23. During 2Q23 however, our GP margin declined to 45.2% which is below our target of 50%, as it is difficult to compensate for significant revenue declines in the short term given the largely fixed-cost nature of our operations. As we move into 3Q23, we plan to continue our relentless focus on working to strengthen our GP margin with initiatives to enhance the value we bring to our customers, improve quality and streamline the way our plants operate.
- Building a Lean, Effective and Resilient Operation  
Maintaining a tight rein on expenses while striving for operational effectiveness and resilience is also a key goal. With a stringent process for approving major expenses and investments, the Group performed well during 1H23 as our total distribution, administrative and other expenses including other income remained steady at S\$9.4 million (S\$9.4 million in 1H22). As a percentage of sales, these overhead expenses totaled about 26% of sales (23% for 1H22). As we move forward, we intend to continue working to improve this important measure of how well our people and resources are used to support the Group's customers and core manufacturing activity.
- Driving Performance Through Good Governance  
Since becoming a publicly-listed company in 2003, we have worked hard to put good governance at the heart of everything we do. Although keeping up with the best practices in compliance and reporting are important, we like to see good governance as more than "ticking the boxes." Rather, we believe corporate governance provides an invaluable methodology for driving performance by aligning the way our people at all levels – from the Board Room to the Shop Floor - make decisions and take actions to enhance and protect stakeholder value. In other words, when it comes to assessing good governance, we think conformance and performance are inseparable.

As such, our aim is to build a great manufacturing business with a strong balance sheet while fostering a culture of resourcefulness, discipline and careful decision making. During 1H23, we generated S\$12.3 million in net cash. After net investing activities of S\$2.4 million and distributing S\$11.1 million in dividends, we ended 1H23 with cash and cash equivalents of S\$18.0 million (which includes S\$0.2 million in pledged deposits) and no bank borrowings.

For 1H23, the Board of Directors is pleased to declare an interim dividend of 6 cents per share (6 cents for 1H22) totaling S\$8.3 million. After payment of this interim dividend to shareholders on 17 February 2023, we would have paid dividends of 119.9 cents per share since becoming a listed company which translates to a return of about 650% on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

- Beginning a New Chapter and Preparing for the Future  
In the second half of FY2023, Micro-Mechanics will mark forty years since our founding in 1983. As we approach this milestone -- and prepare for the next forty years -- the Board would like to convey its deepest appreciation to Mr. Chow Kam Wing, Executive Director and CFO, and Mr. Low Ming Wah,

Executive Director and COO, who will retire from the Group after 27 and 34 years of service respectively, for their many valuable contributions.

Upon stepping down from his executive positions on 31 January 2023, and as part of the Company's pre-determined succession planning process, Mr Chow will continue to be employed by the Company as an advisor for finance matters for a period of one year. This will ensure a smooth transition and handover to Ms Wendy Tan Wei Lee who steps up from her current position as Financial Controller to become Vice President, Finance of the Group. Ms Tan has been working closely with Mr Chow in the Group's finance department since she joined Micro-Mechanics in 2001. In her new role, Ms Tan will assume responsibility for finance, accounting and internal control matters. She will also be appointed as Company Secretary.

Similarly Mr Low, who retires on 30 April 2023, will be appointed by Micro-Mechanics as an advisor for a period of one year and will help in the transition of responsibilities to members of the Group's senior leadership including Mr. Kyle Borch, who was appointed as Deputy CEO and Executive Director on 1 January 2023.

In his new capacity as Deputy CEO, one of Mr. Borch's first tasks will be to assemble and lead an interdisciplinary team of people from the Group's five worldwide plants focused on accelerating the adoption of continuous improvement and *Center of Excellence* initiatives. In addition to strengthening the operations at each plant, the new approach will give employees opportunities to develop technical and problem-solving skills, gain international exposure and develop leadership qualities. Prior to joining Micro-Mechanics, Mr. Borch had gained valuable technical and hands-on experience in the engineering field at leading technology companies such as Agilent Technologies, Inc., Apple and NASA Jet Propulsion Laboratory. He earned a Bachelor of Science in Physics with a minor in Mathematics from the University of California Los Angeles and double Masters of Science degrees in Mechanical Engineering and Engineering Management from the University of Southern California. Mr. Borch is the oldest son of the Group's CEO, Mr. Christopher Borch.

## **F5. Dividend Information**

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

Any dividend recommended for the current financial period reported on?

Yes. The Board of Directors are pleased to declare a tax exempt one-tier interim dividend of 6 cents per ordinary share (31 December 2021: tax exempt one-tier interim dividend of 6 cents per ordinary share) in respect of the half year ended 31 December 2022.

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

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

Yes. An interim dividend of 6 cents per ordinary share (one tier tax-exempt) was declared in respect of FY2022.

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

The dividend payment will be made on 17 February 2023.

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

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

Duly completed registrable transfers received by the Company's Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 up to 5:00 p.m. on 7 February 2023 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with the Central Depository (Pte) Limited are credited with shares at 5:00 p.m. on 7 February 2023 will be entitled to the proposed dividend payable on 17 February 2023.

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

Not applicable.

**F6. Interested person transactions**

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

For the half year ended 31 December 2022, the Group has made rental payment of US\$216,000 (31 December 2021: US\$210,000) and electrical services payment of US\$97,203 (31 December 2021: US\$73,609) to Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

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

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

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

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

Not applicable.

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

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results of the Group and of the Company for the financial period ended 31 December 2022 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**CHOW KAM WING**  
Company Secretary  
30 January 2023