

MICRO-MECHANICS (HOLDINGS) LTD

**Condensed Interim Financial Statements
For First Quarter and Three Months Ended
30 September 2022**

TABLE OF CONTENTS

A. Condensed interim consolidated statement of profit or loss and other comprehensive income..... 3

B. Condensed interim statements of financial position (Group and Company)..... 4

C. Condensed interim statements of changes in equity (Group and Company)..... 5

D. Condensed interim consolidated statement of cash flows..... 6

E. Selected notes to the condensed interim consolidated financial statements..... 7

F. Other information required by Listing Rule Appendix 7.2..... 15

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2022

| | Note | Group (First Quarter) 3 months ended | | |
|---|------|---|-------------------|----------------|
| | | 30 Sep 22 S\$ | 30 Sep 21 S\$ | Change |
| Revenue | E4 | 20,193,798 | 20,459,903 | (1.3%) |
| Cost of sales | | (9,894,782) | (9,114,277) | 8.6% |
| Gross profit | | 10,299,016 | 11,345,626 | (9.2%) |
| Other income | E5 | 187,703 | 107,683 | 74.3% |
| Distribution costs | | (742,715) | (803,076) | (7.5%) |
| Administrative expenses | | (2,817,495) | (2,789,676) | 1.0% |
| Other operating expenses | | (1,279,001) | (1,201,009) | 6.5% |
| Profit from operations | | 5,647,508 | 6,659,548 | (15.2%) |
| Finance costs | | - | - | - |
| Profit before income tax | E5 | 5,647,508 | 6,659,548 | (15.2%) |
| Income tax expense | E6 | (1,400,737) | (1,689,632) | (17.1%) |
| Profit after tax | | 4,246,771 | 4,969,916 | (14.6%) |
| Non-controlling interests | | - | - | - |
| Profit for the period | | 4,246,771 | 4,969,916 | (14.6%) |
| Statement of Comprehensive Income | | | | |
| Profit for the period | | 4,246,771 | 4,969,916 | (14.6%) |
| Other comprehensive income: | | | | |
| Item that is or may be reclassified subsequently to profit or loss: | | | | |
| Foreign currency translation differences for foreign operations, net of tax | | (216,430) | 275,443 | (178.6%) |
| Total comprehensive income for the period | | 4,030,341 | 5,245,359 | (23.2%) |
| Earnings per share: | E7 | | | |
| Basic (SGD in cent) | | 3.05 | 3.57 | |
| Diluted (SGD in cent) | | 3.05 | 3.57 | |

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

| | Note | Group 30 Sep 22 S\$ | Group 30 Jun 22 S\$ | Company 30 Sep 22 S\$ | Company 30 Jun 22 S\$ |
|-------------------------------------|------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Non-current assets | | | | | |
| Property, plant and equipment | E9 | 27,901,498 | 28,607,303 | - | - |
| Right-of-use assets | | 1,255,663 | 1,545,399 | - | - |
| Investment property | E10 | 310,226 | 320,749 | - | - |
| Subsidiaries | | - | - | 29,095,544 | 29,095,544 |
| Trade and other receivables | E11 | 760,334 | 759,841 | - | - |
| Deferred tax asset | | 25,581 | 26,405 | - | - |
| | | 30,253,302 | 31,259,697 | 29,095,544 | 29,095,544 |
| Current assets | | | | | |
| Inventories | | 5,361,185 | 5,697,010 | - | - |
| Trade and other receivables | E11 | 15,001,678 | 16,366,632 | 1,134,227 | 1,737,965 |
| Cash and cash equivalents | | 25,275,579 | 20,368,243 | 14,191,722 | 8,710,763 |
| | | 45,638,442 | 42,431,885 | 15,325,949 | 10,448,728 |
| | | | | | |
| Total assets | | 75,891,744 | 73,691,582 | 44,421,493 | 39,544,272 |
| Shareholders' equity | | | | | |
| Share capital | E12 | 14,782,931 | 14,782,931 | 14,782,931 | 14,782,931 |
| Reserves | | (43,924) | 172,506 | - | - |
| Accumulated profits | | 47,596,221 | 43,349,450 | 28,766,573 | 24,020,106 |
| | | 62,335,228 | 58,304,887 | 43,549,504 | 38,803,037 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | | 1,474,144 | 1,483,035 | 272,178 | 227,815 |
| Trade and other payables | E13 | 750,369 | 755,544 | - | - |
| Lease liabilities | | 494,351 | 657,932 | - | - |
| | | 2,718,864 | 2,896,511 | 272,178 | 227,815 |
| Current liabilities | | | | | |
| Trade and other payables | E13 | 6,767,083 | 8,867,019 | 599,160 | 513,420 |
| Lease liabilities | | 822,631 | 951,533 | - | - |
| Current tax payable | | 3,247,938 | 2,671,632 | 651 | - |
| | | 10,837,652 | 12,490,184 | 599,811 | 513,420 |
| Total liabilities | | 13,556,516 | 15,386,695 | 871,989 | 741,235 |
| Total equity and liabilities | | 75,891,744 | 73,691,582 | 44,421,493 | 39,544,272 |
| | | | | | |

C. CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

| | Share Capital | Foreign Currency Translation Reserve | Accumulated remeasure- ment on retirement benefits | Accumulated Profits | Total |
|--|-------------------|---|--|------------------------|-------------------|
| | S\$ | S\$ | S\$ | S\$ | S\$ |
| The Group | | | | | |
| As at 1 July 2021 | 14,782,931 | 272,054 | (96,646) | 43,007,362 | 57,965,701 |
| Total comprehensive income for the period: | | | | | |
| Profit for the period | - | - | - | 4,969,916 | 4,969,916 |
| Other comprehensive income: | | | | | |
| Foreign currency translation differences, net of tax | - | 275,443 | - | - | 275,443 |
| Total comprehensive income for the period | - | 275,443 | - | 4,969,916 | 5,245,359 |
| As at 30 September 2021 | 14,782,931 | 547,497 | (96,646) | 47,977,278 | 63,211,060 |
| As at 1 July 2022 | 14,782,931 | 144,547 | 27,959 | 43,349,450 | 58,304,887 |
| Total comprehensive income for the period: | | | | | |
| Profit for the period | - | - | - | 4,246,771 | 4,246,771 |
| Other comprehensive income: | | | | | |
| Foreign currency translation differences, net of tax | - | (216,430) | - | - | (216,430) |
| Total comprehensive income for the period | - | (216,430) | - | 4,246,771 | 4,030,341 |
| As at 30 September 2022 | 14,782,931 | (71,883) | 27,959 | 47,596,221 | 62,335,228 |

| | Share Capital | Foreign Currency Translation Reserve | Accumulated Profits | Total |
|---|-------------------|---|------------------------|-------------------|
| | S\$ | S\$ | S\$ | S\$ |
| The Company | | | | |
| As at 1 July 2021 | 14,782,931 | - | 26,161,805 | 40,944,736 |
| Total comprehensive income for the period: | | | | |
| Net loss for the period | - | - | (437,008) | (437,008) |
| Total comprehensive income for the period | - | - | (437,008) | (437,008) |
| As at 30 September 2021 | 14,782,931 | - | 25,724,797 | 40,507,728 |
| As at 1 July 2022 | 14,782,931 | - | 24,020,106 | 38,803,037 |
| Total comprehensive income for the period: | | | | |
| Net profit for the period | - | - | 4,746,467 | 4,746,467 |
| Total comprehensive income for the period | - | - | 4,746,467 | 4,746,467 |
| As at 30 September 2022 | 14,782,931 | - | 28,766,573 | 43,549,504 |

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASHFLOW FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2022

| | Group (First Quarter) 3 months ended | |
|---|---|---------------------------|
| | 30 Sep 2022 S\$ | 30 Sep 2021 S\$ |
| Cash flows from operating activities | | |
| Profit for the period | 4,246,771 | 4,969,916 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,698,682 | 1,731,078 |
| Depreciation of investment property | 3,531 | 3,073 |
| Property, plant and equipment written off | 7 | - |
| Loss on disposal of property, plant and equipment | - | 11,682 |
| Interest income | (39,796) | (12,245) |
| Interest expense on lease liabilities | 17,537 | 25,895 |
| Tax expense | 1,400,737 | 1,689,632 |
| Operating profit before changes in working capital | 7,327,469 | 8,419,031 |
| Inventories | 299,939 | (398,710) |
| Trade and other receivables | 1,205,664 | (1,815,149) |
| Trade and other payables | (1,958,583) | (784,824) |
| Cash generated from operations | 6,874,489 | 5,420,348 |
| Income tax paid | (777,993) | (888,926) |
| Net cash from operating activities | 6,096,496 | 4,531,422 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (714,552) | (304,933) |
| Proceeds from disposal of property, plant and equipment | - | 2,366 |
| Interest received | 29,845 | 9,579 |
| Net cash used in investing activities | (684,707) | (292,988) |
| Cash flows from financing activities | | |
| Lease paid | (327,557) | (320,309) |
| Net cash used in financing activities | (327,557) | (320,309) |
| Net increase in cash and cash equivalents | 5,084,232 | 3,918,125 |
| Cash and cash equivalents at beginning of period | 20,210,293 | 20,449,978 |
| Effect of exchange rate fluctuations | (173,446) | 57,039 |
| Cash and cash equivalents at the end of period | 25,121,079 | 24,425,142 |

Note:

(i) Cash and cash equivalent is derived from:

| | Group 30 Sep 22 S\$ | Group 30 Sep 21 S\$ |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Cash and cash equivalent balances | 25,275,579 | 24,587,642 |
| Less: Pledged cash placed with bank | (154,500) | (162,500) |
| | 25,121,079 | 24,425,142 |

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 the first quarter and three months ended 30 September 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.

Geographical market

| Country | 4Q22 | | 1Q23 | | 1Q22 | | % change |
|---------------|------------|-------|------------|-------|------------|-------|----------|
| | S\$ | % | S\$ | % | S\$ | % | |
| Singapore | 2,624,288 | 11.9% | 2,718,999 | 13.5% | 1,708,548 | 8.3% | 59.1% |
| Malaysia | 3,085,700 | 14.0% | 2,913,329 | 14.4% | 2,893,669 | 14.1% | 0.7% |
| Philippines | 1,213,671 | 5.5% | 1,585,999 | 7.9% | 1,402,985 | 6.9% | 13.0% |
| Thailand | 463,217 | 2.1% | 390,420 | 1.9% | 328,114 | 1.6% | 19.0% |
| China | 6,379,110 | 29.1% | 5,534,623 | 27.4% | 7,277,103 | 35.6% | (23.9%) |
| USA | 5,557,943 | 25.4% | 4,851,482 | 24.0% | 4,001,086 | 19.5% | 21.3% |
| Europe | 943,293 | 4.3% | 893,170 | 4.4% | 751,266 | 3.7% | 18.9% |
| Japan | 268,735 | 1.2% | 237,412 | 1.2% | 322,237 | 1.6% | (26.3%) |
| Taiwan | 1,193,849 | 5.4% | 861,931 | 4.3% | 1,305,262 | 6.4% | (34.0%) |
| Rest of world | 239,840 | 1.1% | 206,433 | 1.0% | 469,633 | 2.3% | (56.0%) |
| | 21,969,646 | 100% | 20,193,798 | 100% | 20,459,903 | 100% | (1.3%) |

E5 Profit before income tax

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

Income:

| | Group (First Quarter) 3 months ended | | |
|---|---|------------------|----------|
| | 30 Sep 22 S\$ | 30 Sep 21 S\$ | Change |
| Loss on disposal of property, plant and equipment | - | (11,682) | (100.0%) |
| Interest income from banks and others | 39,796 | 12,245 | 225.0% |
| Rental income | 32,180 | 30,501 | 5.5% |
| Government grant – Employment Credit, Wage Credit and Capability Development Scheme | 11,665 | 13,338 | (12.5%) |
| Exchange gain | 29,088 | - | n.m. |
| Others | 74,974 | 63,281 | 18.5% |

Expenses:

| | Group (First Quarter) 3 months ended | | |
|---|---|------------------|----------|
| | 30 Sep 22 S\$ | 30 Sep 21 S\$ | Change |
| Depreciation of property, plant and equipment | 1,391,960 | 1,425,490 | (2.4%) |
| Depreciation of investment property | 3,531 | 3,073 | 14.9% |
| Depreciation of right-of-use assets | 306,722 | 305,588 | 0.4% |
| Exchange loss | - | 18,843 | (100.0%) |
| Inventories written off | 20,600 | 37,092 | (44.5%) |
| Interest expense on lease liabilities | 17,537 | 25,895 | (32.3%) |
| Property, plant and equipment written off | 7 | - | n.m. |

E6 Income tax expense

| | Group (First Quarter) 3 months ended | |
|---|---|--------------------------|
| | 30 Sep 22 S\$ | 30 Sep 21 S\$ |
| Tax charge | | |
| Current period | 1,245,634 | 1,535,356 |
| Under provision in prior years | 4,189 | 7,252 |
| | 1,249,823 | 1,542,608 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 150,914 | 146,526 |
| Under provision in prior years | - | 498 |
| | 150,914 | 147,024 |
| Total tax expense | 1,400,737 | 1,689,632 |

E7 Earnings per share

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

| | Group (First Quarter) 3 months ended | |
|---|---|--------------------|
| | 30 Sep 2022 | 30 Sep 2021 |
| Profit for the period | 4,246,771 | 4,969,916 |
| 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) | 3.05 | 3.57 |

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 30 Sep 22 | Group 30 Jun 22 | Company 30 Sep 22 | Company 30 Jun 22 |
|--|----------------------------|----------------------------|------------------------------|------------------------------|
| Net Asset Value per ordinary share (cents) | 44.84 | 41.94 | 31.32 | 27.91 |

The net asset value per ordinary share is calculated based on net assets of S\$62.3 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 30 September 2022, the Group acquired property, plant and equipment with an aggregate cost of S\$714,552 (30 September 2021: S\$304,933). The amount of assets disposed for financial period ended 30 September 2022 was S\$7 (30 September 2021: S\$14,049).

E10 Investment Property

The property is an industrial building located in Malaysia. The fair value of the investment property as at 30 September 2022 was S\$3,090,000 (30 June 2022: S\$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

| | Group 30 Sep 22 S\$ | Group 30 Jun 22 S\$ | Company 30 Sep 22 S\$ | Company 30 Jun 22 S\$ |
|---|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Trade receivables | 14,127,188 | 15,613,437 | – | – |
| Other receivables | 68,430 | 51,263 | 4,518 | 641 |
| Deposits | 402,598 | 404,295 | – | – |
| Amount owing by subsidiaries (non-trade) | – | – | 1,102,483 | 1,724,349 |
| Financial assets at amortised cost | 14,598,216 | 16,068,995 | 1,107,001 | 1,724,990 |
| Advances to suppliers | 357,736 | 385,113 | – | – |
| Prepayments | 805,463 | 672,093 | 27,226 | 12,975 |
| Forward exchange contracts | 597 | 272 | – | – |
| Trade and other receivables | 15,762,012 | 17,126,473 | 1,134,227 | 1,737,965 |
| Non-current | 760,334 | 759,841 | – | – |
| Current | 15,001,678 | 16,366,632 | 1,134,227 | 1,737,965 |
| | 15,762,012 | 17,126,473 | 1,134,227 | 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 30 September 2022. The amount of S\$760,334 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 30 September 2022 and 30 June 2022 were as follows:

| | Group 30 Sep 22 S\$ | Group 30 Jun 22 S\$ | Company 30 Sep 22 S\$ | Company 30 Jun 22 S\$ |
|---------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Current | 11,287,832 | 12,733,694 | 4,518 | – |
| Past due 1-30 days | 2,133,111 | 2,443,286 | – | – |
| Past due 31-60 days | 513,094 | 398,000 | – | – |
| Past due 61-90 days | 86,010 | 86,111 | – | – |
| More than 90 days | 175,571 | 3,609 | 1,102,483 | 1,724,990 |
| | 14,195,618 | 15,664,700 | 1,107,001 | 1,724,990 |
| | | | | |

There was no bad debt registered by the Group since FY2017. In addition, the outstanding amounts over 90 days in past years have been generally minimal. The Group's finance team has been conscientiously engaging customers to ensure timely collection of payment.

The Board has no immediate concern on the recoverability of the trade and other receivables balances as at 30 September 2022.

E12 Share Capital

| Group and Company | 30 September 2022 | | 30 June 2022 | |
|--|-------------------|------------|------------------|------------|
| | Number of shares | S\$ | Number of shares | S\$ |
| Fully paid ordinary shares with no par value At 1 July and 30 Sep | 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 30 September 2022 (30 June 2022: Nil).

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

E13 Trade and other payables

| | Group 30 Sep 22 S\$ | Group 30 Jun 22 S\$ | Company 30 Sep 22 S\$ | Company 30 Jun 22 S\$ |
|-----------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Trade payables | 1,305,093 | 1,546,960 | – | – |
| Other payables | 1,320,018 | 1,595,642 | 37,427 | 30,205 |
| Accrued expenses | 4,301,376 | 5,883,947 | 561,733 | 483,215 |
| Advances from customers | 92,211 | 132,582 | – | – |
| Forward exchange contracts | 82,329 | 41,234 | – | – |
| Provision for retirement benefits | 416,425 | 422,198 | – | – |
| | 7,517,452 | 9,622,563 | 599,160 | 513,420 |
| Non-current | 750,369 | 755,544 | – | – |
| Current | 6,767,083 | 8,867,019 | 599,160 | 513,420 |
| | 7,517,452 | 9,622,563 | 599,160 | 513,420 |

E14 Borrowings

The Group does not have any bank borrowings as at 30 September 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:

| | Financial assets at amortised cost \$ | Designated at fair value \$ | Other financial liabilities \$ | Total carrying amount \$ | Fair value \$ |
|---------------------------------------|--|-----------------------------------|---|-----------------------------------|------------------|
| Group | | | | | |
| 30 September 2022 | | | | | |
| Trade and other receivables* | 14,598,216 | – | – | 14,598,216 | |
| Forward exchange contracts- assets | – | 597 | – | 597 | 597 |
| Cash and cash equivalents | 25,275,579 | – | – | 25,275,579 | |
| | <u>39,873,795</u> | <u>597</u> | <u>–</u> | <u>39,874,392</u> | |
| Trade and other payables** | – | – | (3,036,500) | (3,036,500) | |
| Forward exchange contracts -liability | – | (82,329) | – | (82,329) | (82,329) |
| | <u>–</u> | <u>(82,329)</u> | <u>(3,036,500)</u> | <u>(3,118,829)</u> | |

MICRO-MECHANICS (HOLDINGS) LTD

Condensed Interim Financial Statements for First Quarter and Three Months Ended 30 September 2022

30 June 2022

| | | | | | |
|--|-------------------|-----------------|--------------------|--------------------|----------|
| Trade and other receivables* | 16,068,995 | – | – | 16,068,995 | |
| Forward exchange contracts - assets | – | 272 | – | 272 | 272 |
| Cash and cash equivalents | 20,368,243 | – | – | 20,368,243 | |
| | <u>36,437,238</u> | <u>272</u> | <u>–</u> | <u>36,437,510</u> | |
| Trade and other payables** | – | – | (3,843,671) | (3,843,671) | |
| Forward exchange contracts - liability | – | (41,234) | – | (41,234) | (41,234) |
| | <u>–</u> | <u>(41,234)</u> | <u>(3,843,671)</u> | <u>(3,884,905)</u> | |

| | Financial assets at amortised cost \$ | Designated at fair value \$ | Other financial liabilities \$ | Total carrying amount \$ | Fair value \$ |
|--|--|-----------------------------------|---|-----------------------------------|------------------|
|--|--|-----------------------------------|---|-----------------------------------|------------------|

Company

30 September 2022

| | | | | | |
|------------------------------|-------------------|----------|-----------|-------------------|--|
| Trade and other receivables* | 1,107,001 | – | – | 1,107,001 | |
| Cash and cash equivalents | 14,191,722 | – | – | 14,191,722 | |
| | <u>15,298,723</u> | <u>–</u> | <u>–</u> | <u>15,298,723</u> | |
| Trade and other payables** | – | – | (599,160) | (599,160) | |

30 June 2022

| | | | | | |
|------------------------------|-------------------|----------|-----------|-------------------|--|
| Trade and other receivables* | 1,724,990 | – | – | 1,724,990 | |
| Cash and cash equivalents | 8,710,763 | – | – | 8,710,763 | |
| | <u>10,435,753</u> | <u>–</u> | <u>–</u> | <u>10,435,753</u> | |
| Trade and other payables** | – | – | (513,420) | (513,420) | |

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

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

Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 2 \$ | Total \$ |
|--|-----------------|-----------------|
| Group | | |
| 30 September 2022 | | |
| Forward exchange contracts – asset | 597 | 597 |
| Forward exchange contracts – liability | <u>(82,329)</u> | <u>(82,329)</u> |
| 30 June 2022 | | |
| Forward exchange contracts – asset | 272 | 272 |
| Forward exchange contracts – liability | <u>(41,234)</u> | <u>(41,234)</u> |

E16 Segment reporting

Operating Segments 1Q23

| | Singapore | Malaysia | The Philippines | USA | China | Elimination | Consolidated |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Total revenue from external customers | 4,634,205 | 3,342,070 | 1,655,131 | 5,344,788 | 5,217,604 | - | 20,193,798 |
| Inter-segment revenue | 1,544,831 | 262,612 | 105,630 | 3,394 | - | (1,916,467) | - |
| Total revenue | 6,179,036 | 3,604,682 | 1,760,761 | 5,348,182 | 5,217,604 | (1,916,467) | 20,193,798 |
| Segment result | 1,665,553 | 1,772,632 | 790,556 | (244,309) | 2,211,287 | (324,668) | 5,871,051 |
| Unallocated expenses | | | | | | | (223,543) |
| Profit from operations | | | | | | | 5,647,508 |
| Income tax expense | (231,431) | (407,293) | (49,944) | (5,312) | (552,822) | (153,935) | (1,400,737) |
| Net profit for the period | | | | | | | 4,246,771 |
| Segment asset | 18,042,639 | 11,809,331 | 3,329,582 | 16,269,131 | 12,638,102 | (420,507) | 61,668,278 |
| Unallocated assets | | | | | | | 14,223,466 |
| Others | | | | | | | |
| Total assets | | | | | | | 75,891,744 |
| Segment liabilities | (1,875,013) | (745,223) | (927,619) | (2,589,617) | (1,499,066) | (598,735) | (8,235,273) |
| Unallocated liabilities | | | | | | | |
| Income tax | (2,069,434) | (760,557) | (84,545) | - | (1,534,718) | (272,828) | (4,722,082) |
| Others | | | | | | | (599,161) |
| Total liabilities | | | | | | | (13,556,516) |
| Other segment information: | | | | | | | |
| Capital expenditure | 134,093 | 269,958 | 10,802 | 171,303 | 132,040 | (3,644) | 714,552 |
| Depreciation | 568,171 | 183,376 | 126,889 | 564,614 | 263,542 | (4,379) | 1,702,213 |
| Non-current assets | 11,008,654 | 4,561,923 | 1,770,756 | 9,001,782 | 3,922,545 | (12,358) | 30,253,302 |

Major customers

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

| | Singapore | Malaysia | The Philippines | USA | China | Total |
|---------------------|-----------|----------|-----------------|-----------|---------|-----------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 1Q23 | | | | | | |
| Revenue | 1,279,150 | 769,269 | 1,333,264 | 4,678,808 | 779,743 | 8,840,234 |
| Number of customers | 2 | 2 | 4 | 4 | 1 | 13 |

MICRO-MECHANICS (HOLDINGS) LTD

Condensed Interim Financial Statements for First Quarter and Three Months Ended 30 September 2022

Operating Segments 1Q22

| | Singapore | Malaysia | The Philippines | USA | China | Elimination | Consolidated |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Total revenue from external customers | 4,736,521 | 3,127,296 | 1,464,465 | 4,035,256 | 7,096,365 | - | 20,459,903 |
| Inter-segment revenue | 1,960,593 | 394,521 | 210,747 | 60 | - | (2,565,921) | - |
| Total revenue | 6,697,114 | 3,521,817 | 1,675,212 | 4,035,316 | 7,096,365 | (2,565,921) | 20,459,903 |
| Segment result | 1,864,957 | 1,526,673 | 579,965 | (64,551) | 3,095,470 | (110,939) | 6,891,575 |
| Unallocated expenses | | | | | | | (232,027) |
| Profit from operations | | | | | | | 6,659,548 |
| Income tax expense | (312,533) | (364,404) | (40,331) | (8,334) | (805,028) | (159,002) | (1,689,632) |
| Net profit for the period | | | | | | | <u>4,969,916</u> |
| Segment asset | 19,175,917 | 12,223,179 | 3,272,353 | 15,630,765 | 16,520,964 | (564,537) | 66,258,641 |
| Unallocated assets | | | | | | | 10,998,134 |
| Others | | | | | | | |
| Total assets | | | | | | | <u>77,256,775</u> |
| Segment liabilities | (2,687,314) | (771,245) | (883,169) | (2,380,148) | (1,860,121) | (923,002) | (9,504,999) |
| Unallocated liabilities | | | | | | | |
| Income tax | (1,951,086) | (659,588) | (83,029) | - | (839,965) | (412,167) | (3,945,835) |
| Others | | | | | | | (594,881) |
| Total liabilities | | | | | | | <u>(14,045,715)</u> |
| Other segment information: | | | | | | | |
| Capital expenditure | 76,895 | 71,170 | 1,189 | 141,076 | 14,603 | - | 304,933 |
| Depreciation | 565,496 | 195,721 | 133,313 | 584,580 | 259,532 | (4,491) | 1,734,151 |
| Non-current assets | 11,330,590 | 4,553,180 | 1,861,926 | 10,629,620 | 3,936,282 | (33,007) | 32,278,591 |

Major customers

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

| | Singapore | Malaysia | The Philippines | USA | China | Total |
|---------------------|-----------|----------|-----------------|-----------|---------|-----------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 1Q22 | | | | | | |
| Revenue | - | 671,061 | 1,256,407 | 3,343,229 | 984,063 | 6,254,760 |
| Number of customers | - | 2 | 4 | 4 | 1 | 11 |

E17 Subsequent events

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

F. OTHER INFORMATION REQUIRE BY APPENDIX LISTING RULE 7.2

F1 Review

The condensed interim consolidated statement of financial position of Micro-Mechanics (Holdings) Ltd and its subsidiaries as at 30 September 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 World Semiconductor Trade Statistics (WSTS), worldwide chip sales grew 3.6% to US\$96.4 billion in the months of July and August 2022 as compared to the same two-month period in 2021. However, chip sales in August 2022 showed a decrease of 3.4% month-on-month compared to July 2022 which was its third consecutive month of contraction.

The Semiconductor Industry Association said that global semiconductor sales growth has slowed substantially in recent months with year-to-year sales increases in July and August dropping to single digit growth for the first time since December 2020. The sharpest decline in chip sales was witnessed in the China market.

In its Semiconductor Market Forecast released on 22 August 2022, the WSTS has pared its previous sales forecast for the global semiconductor market. It now expects the industry to report a 13.9% increase in chip sales to US\$633 billion, lifted by growth in all geographical regions. For 2023, the WSTS has projected the global semiconductor market to grow a moderate 4.6% to US\$662 billion.

Group Revenue

| | | 1Q | 2Q | 3Q | 4Q | Full Year |
|---------|----------|---------------|---------------|---------------|---------------|---------------|
| REVENUE | FY2023 | S\$20,193,798 | NA | 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%) | NA | NA | NA | NA |

For the three months ended 30 September 2022 (1Q23), the Group's revenue was relatively flat year-on-year (yoy) at S\$20.2 million compared to S\$20.5 million in 1Q22.

On a quarter-on-quarter (qoq) basis, Group revenue in 1Q23 decreased 8.1% from S\$22.0 million in 4Q22 in tandem with slowing conditions in the global semiconductor industry.

Revenue breakdown by Geographical Market

| Country | 4Q22 | | 1Q23 | | 1Q22 | | % change |
|---------------|------------|-------|------------|-------|------------|-------|----------|
| | S\$ | % | S\$ | % | S\$ | % | |
| Singapore | 2,624,288 | 11.9% | 2,718,999 | 13.5% | 1,708,548 | 8.3% | 59.1% |
| Malaysia | 3,085,700 | 14.0% | 2,913,329 | 14.4% | 2,893,669 | 14.1% | 0.7% |
| Philippines | 1,213,671 | 5.5% | 1,585,999 | 7.9% | 1,402,985 | 6.9% | 13.0% |
| Thailand | 463,217 | 2.1% | 390,420 | 1.9% | 328,114 | 1.6% | 19.0% |
| China | 6,379,110 | 29.1% | 5,534,623 | 27.4% | 7,277,103 | 35.6% | (23.9%) |
| USA | 5,557,943 | 25.4% | 4,851,482 | 24.0% | 4,001,086 | 19.5% | 21.3% |
| Europe | 943,293 | 4.3% | 893,170 | 4.4% | 751,266 | 3.7% | 18.9% |
| Japan | 268,735 | 1.2% | 237,412 | 1.2% | 322,237 | 1.6% | (26.3%) |
| Taiwan | 1,193,849 | 5.4% | 861,931 | 4.3% | 1,305,262 | 6.4% | (34.0%) |
| Rest of world | 239,840 | 1.1% | 206,433 | 1.0% | 469,633 | 2.3% | (56.0%) |
| | 21,969,646 | 100% | 20,193,798 | 100% | 20,459,903 | 100% | (1.3%) |

On a geographical basis, the Group recorded lower sales in China which was counterbalanced by higher sales in the Singapore and USA markets.

Sales in China declined by 23.9% to S\$5.5 million in 1Q23 as our customers had deliberately increased their stockholdings of the Group's products in 1Q22 when the industry was experiencing supply chain disruptions. Nonetheless, China remained as our largest geographical market with a contribution of 27.4% to the Group's revenue in 1Q23.

Sales in the USA, which is our second largest market, increased 21.3% to approximately S\$4.9 million in 1Q23 which accounted for 24.0% of Group's revenue. The Singapore market registered a 59.1% increase in sales to S\$2.7 million during 1Q23 as compared to S\$1.7 million in 1Q22.

The Group's sales in Malaysia was stable yoy at S\$2.9 million in 1Q23 and contributed 14.4% to the Group's revenue.

Capacity Utilisation

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

Our average capacity utilisation rate was unchanged at 61% in 1Q23 as compared to 1Q22 and was slightly higher than the utilisation rate of 60% in 4Q22.

Gross Profit (GP) Margin

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

The Group's gross profit decreased by 9.2% yoy to S\$10.3 million in 1Q23 mainly due to higher cost of sales as a result of inflationary pressures and supply chain challenges. While our GP margin decreased to 51.0% in 1Q23, as compared to 55.5% in 1Q22, and 51.6% in 4Q22, it was still above the Group's threshold margin of 50%.

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% | NA | 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 74.3% increase in other income to S\$188k in 1Q23 from S\$108k in 1Q22. The increase was due mainly to the absence of loss on disposal of property, plant and equipment amounting to S\$12k, higher interest income of S\$27k and a foreign exchange gain of S\$29k.

We continue to keep a close watch on our expense structure. Our distribution cost declined to S\$0.7 million in 1Q23 from S\$0.8 million in 1Q22 due to lower sales incentives and entertainment expenses. Administrative expenses was stable at S\$2.8 million in both 1Q23 and 1Q22. Other operating expenses in 1Q23 increased by 6.5% to S\$1.3 million mainly due to salary increments and promotion of employees.

In aggregate, the Group's administrative, distribution and other operating expenses (net of other income) was stable at S\$4.7 million in 1Q23 and 1Q22. As a percentage of Group revenue, these overhead expenses were relatively stable at 23.0% in 1Q23 compared to 22.9% in 1Q22.

Profit before Tax and Net Profit

| Net Profit after tax | | 1Q | 2Q | 3Q | 4Q | Full Year |
|----------------------|----------|--------------|--------------|--------------|--------------|---------------|
| | FY2023 | S\$4,246,771 | NA | 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 | (14.6%) | NA | NA | NA | NA |

As a result of the above, the Group's profit before tax decreased by 15.2% from S\$6.7 million in 1Q22 to S\$5.6 million in 1Q23.

The Group's income tax expense decreased by 17.1% from S\$1.7 million in 1Q22 to S\$1.4 million in 1Q23. For 1Q23, the Group's effective tax rate decreased to 24.8% from 25.4% in 1Q22. The tax expenses included a provision of S\$194k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

After deducting income tax expenses, the Group's net profit decreased by 14.6% to S\$4.2 million in 1Q23 from S\$5.0 million in 1Q22. On a sequential basis, our net profit in 1Q23 was a decrease of 27.6% from S\$5.9 million in 4Q22. Net profit margin in 1Q23 was 21.0% as compared to 24.3% in 1Q22 and 26.7% in 4Q22.

Correspondingly, the Group's earnings per share decreased to 3.05 cents in 1Q23 from 3.57 cents in 1Q22.

Balance Sheet

The Group remains in a sound financial position. As at 30 September 2022, our balance sheet had total assets of S\$75.9 million, shareholders' equity of S\$62.3 million, cash and cash equivalents of S\$25.3 million and no bank borrowings.

Long Term Assets

As at 30 September 2022, non-current assets decreased marginally to S\$30.3 million as compared to S\$31.3 million as at 30 June 2022.

Trade Receivables

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

Total trade receivables as at 30 September 2022 decreased to S\$14.1 million from S\$15.6 million as at 30 June 2022 which was in line with the lower Group revenue registered in 1Q23. Of this, S\$176k was outstanding for more than 90 days (S\$4k at end of 30 June 2022). There was no bad debt expense recognised during 1Q23 and 1Q22.

Trade & Other Payables

As at 30 September 2022, our trade payables totaled S\$1.3 million with S\$33k outstanding for 30 days or more. Non-trade payables totaled S\$1.3 million. Accrued expenses decreased to S\$4.9 million from S\$5.0 million as at 30 June 2022.

Long term liabilities

Deferred tax liabilities were S\$1.5 million as at 30 September 2022 and as at 30 June 2022.

Inventory

The Group continuously manages its inventory level to avoid over-stocking and minimise write-offs. As a percentage of annualised sales, our inventory of S\$5.4 million as at 30 September 2022 (S\$5.6 million at end of FY2022) was 6.6% (6.9% at end of FY2022). Inventory written off in 1Q23 totaled S\$21k, as compared to S\$37k in 1Q22.

Capital Expenditure

| | | 1Q | 2Q | 3Q | 4Q | Full Year |
|----------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Capital Expenditure | FY2023 | S\$714,552 | NA | 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 1Q23 amounted to S\$715k which was mainly related to the purchase of production equipment for our factories in China, Malaysia and the USA. We intend to continue investing in new production equipment and expect to incur capital expenditure of S\$5 million for FY2023.

Cash Flow Analysis

The Group generated net cash from operations of S\$6.1 million in 1Q23 (S\$4.5 million in 1Q22). After deducting net cash used for investing activities of S\$685k and net cash used for financing activities of S\$328k, we ended 1Q23 with cash and cash equivalents of S\$25.3 million which includes S\$0.2 million in pledged deposits.

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

No forecast or prospect statement had been issued for the current financial reporting period. There is no material variance from our previous financial period commentary under Section 10.

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 1Q23, we continued to experience significant challenges in the aftermath of the pandemic, including staff shortages, inflationary pressures, supply-chain disruptions, new regulatory requirements and other operating challenges. Nonetheless, we managed to keep all our plants running and focused on meeting the needs of our customers. During 1Q23, the Group's revenue declined 1.3% to S\$20.2 million from S\$20.5 million in the same period a year ago, reflecting the slower conditions in the global semiconductor industry. Net profit for the quarter declined 14.6% to S\$4.2 million from S\$5.0 million in 1Q22.

Although dealing with a global pandemic and the subsequent challenges was not something on our radar in early 2020, we have always been mindful of the need to build an organization 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. These include:

Keeping an Unwavering Focus On Our Customers

Having a strong and 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 difficult for us to find the right people and also 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\$0.7 million in capital expenditure during 1Q23. For all of FY2023 we are budgeting capital expenditure of 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 still maintained a healthy margin of 51.0% in 1Q23 (55.5% in 1Q22) which is above our threshold GP margin of 50%. As we move into 2Q23, we expect operating costs to continue rising, especially for skilled factory personnel. Our customers are also expected to have increasingly stringent demands. As such, 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 careful watch over expenses and a stringent process for determining and approving major expenses and investments, the Group performed well during 1Q23 as our total distribution, administrative and other expenses including other income remained steady at S\$4.7 million. As a percentage of sales, these overhead expenses totaled about 23% of sales. 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 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 other words, when it comes to assessing good governance, we think conformance and performance are inseparable.

In terms of *conformance*, we have always tried to do more than just “tick the boxes” since becoming a publicly listed company on the Singapore Exchange in 2003. As such, we greatly appreciate that the Group has been recognised with more than 30 awards for our efforts to practice good governance, transparency and investor relations. This includes being ranked 13th out of 489 companies in the latest Singapore Governance and Transparency Index published on 3 August 2022.

When it comes to *performance*, 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 1Q23, we generated S\$6.1 million in net cash from operating activities (S\$4.5 million in 1Q22). After net investing activities of S\$0.7 million and net cash used for financing activities of S\$0.3 million, we ended 1Q23 with cash and cash equivalent of S\$25.3 million which includes S\$0.2 million in pledged deposits and no bank borrowings.

After receiving shareholder approval at our Annual General Meeting held on 14 October 2022, the Group will distribute a final dividend for FY2022 of 6 cents per share and a special dividend of 2 cents per share on 18 November 2022. Together with the interim dividend of 6 cents per share paid in February 2022, this would bring the total dividends for all of FY2022 to 14 cents per share (14 cents per share for FY2021). Including these distributions, we will have paid dividends of 113.9 cents per share since becoming a listed company which translates to a return of about 600% on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

Preparing for the Future

In the second half of FY2023, Micro-Mechanics will mark forty years since the company was founded in a small workshop in Singapore. As we approach this milestone -- and prepare for the next forty years -- we are reminded of our saying, “*People Make Everything Happen!*” for the indispensable role they play in the Group's success.

With five factories around the world, one of the strategies that has contributed greatly to our growth is *decentralization*. By distributing and delegating the responsibility for various processes and decision-making away from a central authority, we have seen that our people are the ones who are in the best position to make the appropriate decisions and produce effective results as they are closest to any customer issue or operating challenge. When done well, decentralization also leads to greater responsiveness, a more capable workforce and higher levels of job satisfaction. To this end, we are working on plans to assemble a team of people from our five plants who will focus on continuous improvement and process excellence. We believe this new approach will help accelerate learning and development activities and make each of our five plants even stronger while giving our people opportunities to develop experience and leadership skills. Of course, having strong executive leadership, backed by a diverse, experienced and committed Board of Directors, are also key factors for the Group's continuing success. We plan to continue identifying and developing people who can help us in these important areas.

F5. Dividend Information**(a) Current Financial Period Reported on**

Any dividend recommended for the current financial period reported on?
Nil.

(b) Corresponding Period of the Immediate Preceding Financial Year

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

(c) The date dividend is payable

Not applicable.

(d) Books Closure Date

Not applicable.

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

No dividend has been declared in the first quarter ended 30 September 2022 which is in line with the Group's usual practice to declare or recommend dividend in the second quarter and fourth quarter of each financial year since its IPO.

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 three months ended 30 September 2022, the Group has made rental payment of US\$108,000 (30 September 2021: US\$105,000) and electrical services payment of US\$67,274 (30 September 2021: US\$50,467) 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 30 September 2022 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHOW KAM WING

Company Secretary

28 October 2022