MICRO-MECHANICS®

2023 FINANCIAL YEAR
ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

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

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

The Group's strategy is to relentlessly pursue product and operational improvements while providing fast, effective and local support to its customers worldwide. In addition to designing and manufacturing a market-leading range of consumable tools and parts used in the assembly and testing of semiconductors, the Group also engages in the contract manufacturing of precision parts and tools used in process-critical applications for the semiconductor wafer-fabrication industry.

Since listing on the Singapore Exchange in June 2003, Micro-Mechanics has received over 30 awards in recognition of its high standards of corporate governance, quality of disclosure, transparency and investor relations. The Group has also been recognised in the Forbes Asia Best Under A Billion List in 2006 and 2022.

MISSION STATEMENT

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

CHAIRPERSON'S STATEMENT

Dear stakeholders,

On behalf of our Board of Directors, I am pleased to report that Micro-Mechanics continued to deliver a profitable performance for the 12 months ended 30 June 2023 ("FY2023") despite challenging business conditions due to a sudden and sharp cyclical slowdown in the global semiconductor industry, rapidly rising inflationary cost pressures and heightened geopolitical uncertainties.

For FY2023, the Group reported net profit of S$9.8 million and revenue of S$67.0 million. In their review of our financial year in the following pages of this Annual Report, the Group's CEO and Deputy CEO will provide further insight into the Group's performance during FY2023 as well as outline the key strategies and initiatives that Micro-Mechanics will be taking to grow our business in the years ahead.

Since listing on the Singapore Exchange in 2003, Micro-Mechanics has consistently rewarded our shareholders with dividends every year. In FY2016, we formalised a dividend policy to distribute 40% or more of the Group's after-tax annual earnings, after taking into consideration our financial performance, projected cash flow and capital requirements for business growth, general economic conditions and other relevant factors. While we have regularly exceeded this dividend payout threshold of 40%, our Board believes it may now be prudent for the Group to retain a higher amount of cash than we have typically held on our balance sheet.

Given the uncertain economic conditions ahead and our plans to make capital investments of about S$4 million during FY2024, we are proposing the payment of a final dividend of 3 cents per share for FY2023. If approved by shareholders at our Annual General Meeting to be held on 30 October 2023, the final dividend will be paid on 17 November 2023. Together with the interim dividend of 6 cents per share, the Group would be distributing total dividends of 9 cents per share for FY2023. This translates to a dividend payout ratio of 128% based on the Group's earnings per share of 7.03 cents for FY2023.

Indeed, Micro-Mechanics would have distributed cumulative dividends of 122.9 cents over the past 20 years which is a return of about 668% based on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

During this time, we have also worked relentlessly to make good governance a practical and everyday methodology for aligning the way our people at all levels – from the Board Room to the Shop Floor – make decisions and take actions to enhance and protect stakeholder value. Our efforts have been recognised as Micro-Mechanics has won over 30 awards for our practice of good governance, transparency and investor relations. This includes being consistently ranked among the top 20 companies in the Singapore Governance and Transparency Index (SGTI) which is the leading index for assessing corporate governance practices of companies listed on the Singapore Exchange.

We take pride in achieving this ranking on the SGTI as it places the Group together with large market capitalisation companies that have much bigger budgets than us. In the latest SGTI 2023 published on 4 August 2023, Micro-Mechanics was ranked 14th out of 474 companies on the Singapore Exchange.

We will continue to work hard to build a corporate culture based on transparency, clear metrics of performance, stakeholder accountability with an unwavering commitment to good governance. We believe this will help to protect shareholder value and lead Micro-Mechanics to become a good corporate citizen with sustainable practices.

In closing, I would like to thank my fellow directors for their sound counsel and judgement. The Board is also grateful for our people's commitment and hard work. We would like to express our appreciation to our customers, business partners and suppliers for their continued support and patronage of Micro-Mechanics.

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

Sumitri Menon
Independent Non-Executive Chairperson

CEO'S MESSAGE

To All Our Stakeholders,

At the start of the Group's financial year ended 30 June 2023 ("FY2023"), we began to see slowing market conditions for the global semiconductor industry. Based on data from the World Semiconductor Trade Statistics ("WSTS"), worldwide sales of semiconductors for the 12 months from 1 July 2022 to 30 June 2023 declined 14.8% to US$511.1 billion from US$600.2 billion for the same 12-month period ended 30 June 2022.

Indeed, after hitting sales of S$20.2 million in the three months ended 30 September 2022 ("1Q23"), the Group's revenue decreased by 17% quarter-on-quarter (qoq) to S$16.7 million in 2Q23 followed by another 11% qoq decline to S$14.9 million in 3Q23. Although Group revenue improved slightly to S$15.2 million during 4Q23, our full-year revenue decreased by 18.7% to S$67.0 million in FY2023 from S$82.5 million in FY2022.

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

Business Strategy

While the suddenness and rapidity of the semiconductor industry's downturn caught us and many industry watchers by surprise, we have always been mindful of the need to build an organisation that is flexible and resilient. As the Group moves into FY2024, we will continue our strategy to grow our core businesses by maintaining a strong and unrelenting focus on the value we bring to our customers, while building sustainable, competitive advantages through repeatable, scalable and cost-effective manufacturing processes.

In the future, we think there may only be a handful of suppliers capable of meeting the increasingly stringent requirements of the semiconductor industry. We remain focused on our goal to become a leading Next Generation Supplier of high precision tools and parts used in process-critical applications for the wafer-fabrication and assembly processes of the semiconductor industry.

To this end, we plan to continue automating our operations and working to reduce or eliminate tedious processes that are both difficult to staff and prone to human error. We are also working diligently to implement a number of key initiatives designed to streamline labor-intensive work areas, better digitalise our processes and build a stronger, more flexible team of people across our factories in Singapore, Malaysia, China, the Philippines and the United States. With the Group's decentralized structure, we will continue strengthening our ability to provide fast, effective and local support to our global customers.

To ensure we have the requisite capacity and capabilities for future growth, the Group made capital investments of S$4 million for our five factories during FY2023. For FY2024, we are expecting to incur another S$4 million in capital expenditure for machinery and equipment to upgrade the production capacity and capabilities of our factories.

CEO'S MESSAGE

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

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

Leadership Succession

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

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

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

Ultimately, our goal is for each factory to master the fundamentals of excellence for stringent and complex manufacturing. In his Deputy CEO's Message, Mr. Kyle Borch will provide more information on specific operational initiatives.

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

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

Sincerely yours,

Christopher R. Borch
Chief Executive Officer and Executive Director

DEPUTY CEO'S MESSAGE

To All Our Stakeholders,

On 8 March 2023, Micro-Mechanics celebrated the 40th year since our humble beginnings in a 500 square foot workshop in Singapore. The first 40 years saw many "firsts" for the Company – the first rubber tip, the first engineer, the first five factories, and the first step towards leadership transition. While much has changed since the Company's inception, the fundamental needs of our customers remain the same – flawless product quality, fast and scalable manufacturing, and all this at the right price.

With the support of our people, I am excited to continue building on Micro-Mechanics' progress and development over the next 40 years. Without a doubt, the next chapter in the Micro-Mechanics journey will have its challenges, from advancing technological requirements and manpower shortages to rising energy costs and supply chain disruptions. Simply put, our customers are looking for suppliers that can evolve in sync with their increasingly stringent demands in a rapidly changing world.

At Micro-Mechanics, we are continuously striving to become a leading Next Generation Supplier of high precision tools and parts used in process-critical applications for the wafer-fabrication and assembly processes of the semiconductor industry.

Ultimately, our goal is for each of the Group's manufacturing facilities to become a Five-Star Factory. This will require our people to clearly define problems and implement effective solutions based on fundamental engineering, quality, and management practices.

I spent the first nine months as Deputy CEO traveling between our factory in the USA and our four factories in Asia. After nine trips across the Pacific Ocean in almost as many months, I am excited to announce that I will be relocating to the Group's headquarters in Singapore during the second quarter of our current financial year. I want to thank our employees, suppliers, customers, and shareholders who have generously shared with me valuable lessons and insights during my "listening and learning tour." I now have a much better sense of our strengths, our incredible opportunities, and what we need to do next.

An industry downturn is not an ideal time for leadership transition. However, it has allowed us to focus on initiatives that strengthen the decentralized operations at each plant – developing strong ERP and digital processes, expanding capacity and reducing lead time, improving quality, and enhancing training and flexibility. Doing so without additional manpower or machinery improves our cost-structure and resiliency, strategically aligns us with customer business continuity planning initiatives, and enhances our ability to respond when the industry comes roaring back.

As Micro-Mechanics looks ahead to its next 40 years, we are excited by the positive long-term prospects of the semiconductor industry and the boundless opportunities it can offer our Group. We are beyond grateful to have a wonderful team of people with passion, persistence, and fresh thinking. Let us enjoy the *Journey to Excellence!*

Onward and upward!

Kyle C. Borch
Deputy Chief Executive Officer and Executive Director

AWARDS AND ACCOLADES

Since becoming a public company in 2003, Micro-Mechanics has received consistent recognition for our corporate governance, transparency and investor relations practices.

As a testament to our sound governance practices, the Group ranked 14th out of 474 companies on the Singapore Exchange in the latest Singapore Governance and Transparency Index (SGTI) published on 4 August 2023.

For more information on the Group's Investor Relations policy, please refer to the Corporate Governance section of this Annual Report.

Micro-Mechanics has also won several awards for our efforts to improve efficiency and productivity of our operations. In addition, the Group has been recognised twice by Forbes as one of the 200 top-performing public companies with less than US$1 billion in yearly sales in the Asia-Pacific region.

SINGAPORE CORPORATE AWARDS

2023	Bronze Award – Best Managed Board *(for companies with market capitalization of S$300 million to less than S$1 billion)*
2022	Gold Award – Best Investor Relations *(for companies with market capitalization of S$300 million to less than S$1 billion)*
2021	Corporate Excellence and Resilience Award
2018	Best CEO Award
2017	Gold Award – Best Managed Board Gold Award – Best Investor Relations
2016	Silver Award – Best Managed Board
2015	Silver Award – Best Managed Board Silver Award – Best Investor Relations
2014	Silver Award – Best Investor Relations
2013	Silver Award – Best Investor Relations
2012	Gold Award – Best Managed Board Silver Award – Best Investor Relations
2011	Silver Award – Best Investor Relations
2010	Bronze Award – Best Investor Relations
2008	Chief Financial Officer of the Year (Sesdaq)

(For the category of companies with market capitalization of less than S$300 million)

AWARDS AND ACCOLADES

INVESTORS' CHOICE AWARDS – SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

2022	Shareholder Communications Excellence Award (Mid Cap)
2021	Singapore Corporate Governance Award (Mid Cap)
2019	Singapore Corporate Governance Award (Small Cap) Shareholder Communications Excellence Award (Small Cap)
2018	Singapore Corporate Governance Award (SmallCap) Shareholder Communications Excellence Award (Small Cap)
2017	Singapore Corporate Governance Award (Small Cap) Singapore Corporate Governance Award (Information Technology) Shareholder Communications Excellence Award (Small Cap)
2016	Singapore Corporate Governance Award (Mid and Small Cap) Most Transparent Company (Information Technology)
2015	Most Transparent Company (Mainboard Small Caps)
2011	Most Transparent Company (Mainboard Small Caps)
2010	Most Transparent Company (Mainboard Small Caps)
2009	Most Transparent Company (Mainboard Small Caps)
2008	Most Transparent Company (Mainboard Small Caps)
2006	Corporate Governance Award (Sesdaq)
2005	Most Transparent Company (Sesdaq)

FORBES

2022	Asia Best Under A Billion List
2006	Asia Best Under A Billion List

THE EDGE SINGAPORE BILLION DOLLAR CLUB (CENTURION CATEGORY)

2022	Most Profitable Company (under sector category – Automobiles & Auto Parts; Industrial & Commercial Services; Industrial Conglomerates; Industrial Goods; Energy – Fossil Fuels; Utilities)
2020	Most Profitable Company (under sector category – Automobiles & Auto Parts; Industrial & Commercial Services; Industrial Conglomerates; Industrial Goods; Energy – Fossil Fuels; Utilities)

ASIAMONEY CORPORATE GOVERNANCE POLL

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

PRODUCTIVITY AWARDS

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

FINANCIAL HIGHLIGHTS

INCOME STATEMENT SUMMARY

Financial year-end 30 June

(S$ million)	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	60.3	64.2	73.7	82.5	**67.0**
Gross Profit	32.4	34.3	40.0	44.0	**31.2**
Profit Before Tax	17.1	19.1	23.2	26.2	**13.6**
Net Profit	12.9	14.7	18.1	19.8	**9.8**
EPS (cents)	9.3	10.5	13.0	14.2	**7.03**
Weighted average number of shares in issue	139,031,881	139,031,881	139,031,881	139,031,881	**139,031,881**

BALANCE SHEET SUMMARY

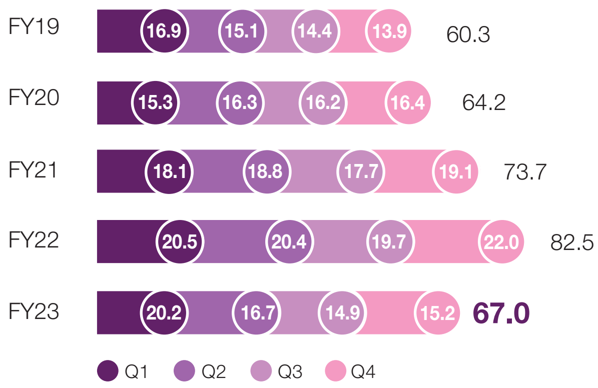
(S$ million)	As at 30 June 2022	As at 30 June 2023
Total Non-Current Assets	31.3	**28.4**
Total Current Assets	42.4	**29.8**
Total Non-Current Liabilities	2.9	**3.6**
Total Current Liabilities	12.5	**8.1**
Shareholders' Equity	58.3	**46.4**
Cash and cash equivalents	20.4	**14.3**
Trade and other receivables (current)	16.4	**11.2**
Trade and other payables (current)	8.9	**5.9**
Short and long-term debt	0.0	**0.0**
NAV per share (cents)	41.9	**33.4**

KEY FINANCIAL RATIOS

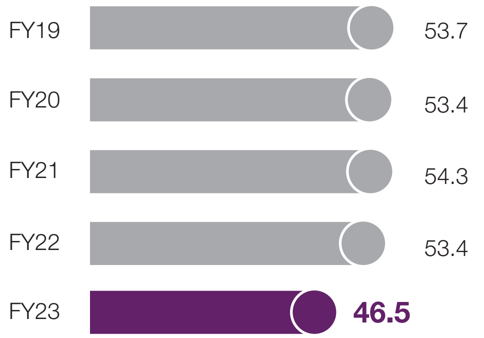
	FY2022	FY2023
Gross Profit Margin	53.4%	**46.5%**
Net Profit Margin	24.0%	**14.6%**
Return on Equity	34.0%	**21.0%**
Dividend Per Share	14.0 cents	**9.0 cents**
Dividend Payout	98.2%	**128%**

FINANCIAL HIGHLIGHTS

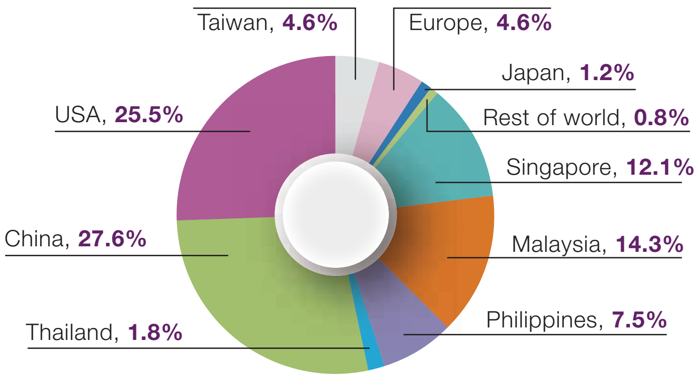
GROUP REVENUE (S$M)



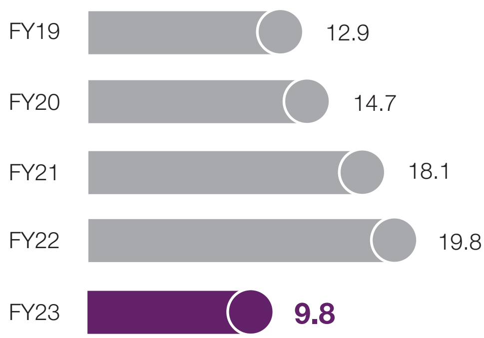
GROUP GROSS PROFIT MARGIN (%)



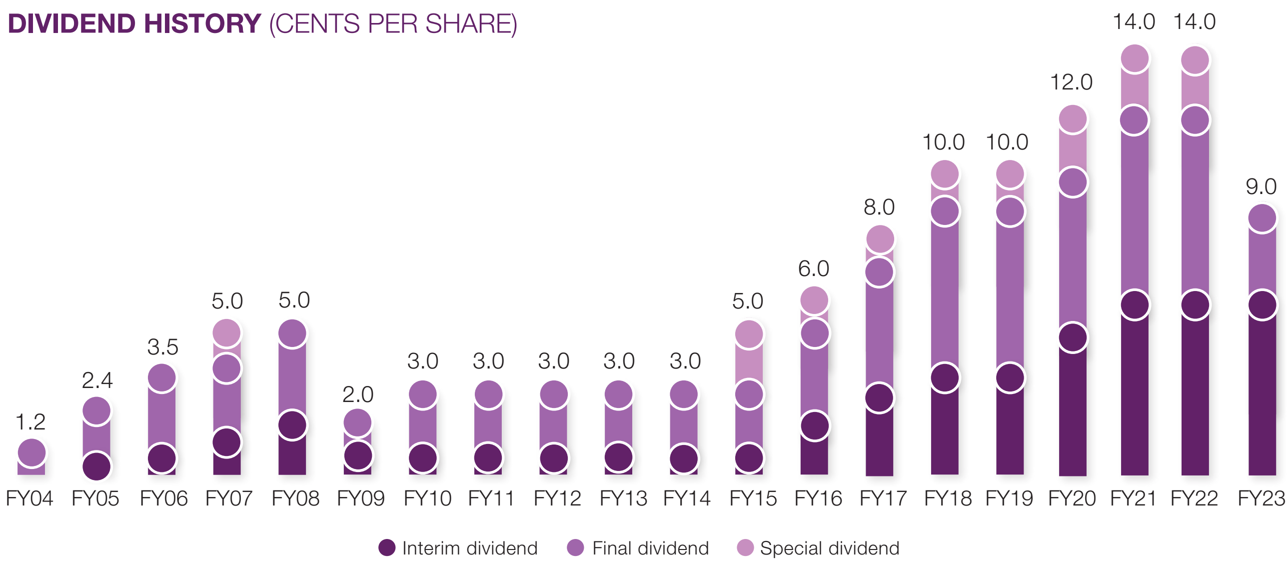
REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET (FY2023)



GROUP NET PROFIT (S$M)



DIVIDEND HISTORY (CENTS PER SHARE)



BOARD OF DIRECTORS

Sumitri Mirnalini Menon @ Rabia
Independent Non-Executive Chairperson

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

Christopher Reid Borch
Founder & Chief Executive Officer

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

Kyle Christopher Borch
Deputy Chief Executive Officer

Mr. Borch joined Micro-Mechanics in 2018 as a manufacturing engineer at the Group's subsidiary in the USA ("MMUS"). Here he focused on helping to lead an engineering team working to make MMUS a Center of Excellence for manufacturing parts used in critical wafer-fabrication processes. Starting January 2023, Mr. Borch was appointed as Executive Director and Deputy CEO of Micro-Mechanics. As Deputy CEO, he oversees the Group's operations in Asia and is responsible for creating and steering a new inter-disciplinary team of people from the Group's five worldwide plants focused on accelerating the adoption of continuous improvement, innovation and *Center of Excellence* initiatives.

Prior to joining Micro-Mechanics, Mr. Borch gained valuable technical and hands-on experience with various technology companies including Agilent Technologies, Apple and NASA Jet Propulsion Laboratory. Mr. Borch holds a Bachelor of Science in Physics with a minor in Mathematics from the University of California Los Angeles and double Master of Science degrees in Mechanical Engineering and Engineering Management from the University of Southern California.

Kenny Kwan
Independent Director

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

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

BOARD OF DIRECTORS

Lai Chin Yee
Independent Director

Ms. Lai has over 35 years of experience in areas including auditing, finance & accounting, corporate governance, taxation and treasury, and is currently the Finance Director of SGX-listed Qian Hu Corporation Limited. Ms. Lai was formerly an auditor with international accounting firms from 1987 to 2000.

Ms. Lai was elected as a council member of the Institute of Singapore Chartered Accountants (ISCA) since 2018. She is the current Chairperson of ISCA's CFO Committee and a member of its Membership Committee. She also chairs the Singapore Chartered Accountant Qualification (SCAQ) Advisory Panel which ISCA has set up to provide recommendations to enhance, strengthen and update the SCAQ programme. Ms Lai has served on ISCA's Continuing Professional Education Committee and the Corporate Governance and Risk Management Committee previously.

In 2019, Ms. Lai was appointed by the Ministry of Finance as a Board member of Accounting and Corporate Regulatory Authority (ACRA). She is also the Non-Executive Chairman and the Chairman of the Audit Committee of Singapore Paincentre Holdings Limited, a company listed on the Singapore Exchange.

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

EXECUTIVE OFFICERS

SINGAPORE

Micro-Mechanics (Holdings) Ltd
Ms. Wendy Tan Wei Lee
(Vice President, Finance & Company Secretary)

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

MALAYSIA

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

PEOPLE'S REPUBLIC OF CHINA

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

THE PHILIPPINES

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

THE UNITED STATES

Micro-Mechanics, Inc.
Mr. Christopher Reid Borch (CEO)

FINANCIAL CONTENTS

CORPORATE INFORMATION

Board of Directors
Sumitri Mirnalini Menon @ Rabia
Independent Non-Executive Chairperson
First appointed: 16 May 2003
(Email: smenon@micro-mechanics.com)
(re-appointed on 29 October 2021)

Christopher Reid Borch
Executive Director
First appointed: 25 June 1996
(Email: cborch@micro-mechanics.com)
(re-appointed on 30 October 2020)

Kyle Christopher Borch
Executive Director
First appointed: 1 January 2023
(Email: kborch@micro-mechanics.com)

Lai Chin Yee
Independent Director
First appointed: 1 June 2014
(Email: laicy@micro-mechanics.com)
(re-appointed on 30 October 2020)

Kenny Kwan Yew Kwong
Independent Director
First appointed: 14 June 2019
(Email: kennykwan@micro-mechanics.com)
(re-appointed on 30 October 2022)

Audit Committee
Lai Chin Yee
Chairperson
Sumitri Mirnalini Menon @ Rabia
Kenny Kwan Yew Kwong

Nominating Committee
Sumitri Mirnalini Menon @ Rabia
Chairperson
Lai Chin Yee
Kenny Kwan Yew Kwong

Remuneration Committee
Kenny Kwan Yew Kwong
Chairperson
Sumitri Mirnalini Menon @ Rabia
Lai Chin Yee

Risk Management/
Sustainability Committee
Lai Chin Yee
Chairperson
Sumitri Mirnalini Menon @ Rabia
Kenny Kwan Yew Kwong
Kyle Christopher Borch
Wendy Tan Wei Lee

Company Secretary
Wendy Tan Wei Lee
Certified Public Accountant
(Singapore)

Registered Office
Company No: 199604632W
31 Kaki Bukit Place
Eunos Techpark
Singapore 416209
Tel: 65-6746-8800
Fax: 65-6746-7700

Share Registrar &
Share Transfer Office
M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

Auditors
KPMG LLP, Certified Public
Accountant
12 Marina View
#15-01 Asia Square Tower 2
Singapore 018961
Partner-in-charge: Tan Khai Boon
(appointed since Financial Year 2022)

Internal Auditors
CLA Global TS Risk Advisory Pte Ltd
80 Robinson Road
#25-00
Singapore 068898

Principal Banker
DBS Bank Ltd
12 Marina Boulevard
DBS Asia Central
Marina Bay Financial Centre Tower 3
Singapore 018982

Investor Relations Consultant
Octant Consulting
7500A Beach Road
#04-329 The Plaza
Singapore 199591
Tel: 65-6296-3583
Email: herman@octant.com.sg/
lisa@octant.com.sg

SUSTAINABILITY REPORT

Year ended 30 June 2023

ESG REPORT FOR FY2023

Purpose and Scope

We are pleased to present the Environmental, Social and Governance ("ESG") report ("Report") for Micro-Mechanics (Holdings) Ltd ("Micro-Mechanics") for the financial period from 1 July 2022 through 30 June 2023 ("FY2023") prepared in accordance with the Singapore Exchange Securities Trading Limited's ("SGX-ST") Mainboard Listing Rule 711(A), 711(B) and Practice Note 7.6 Sustainability Reporting Guide. The purpose of this report is to provide a framework to identify, measure, and manage various environmental and social factors that have potential to impact our operations. The reporting process is also an extension of our long-standing efforts to promote and practice good governance and our aim to enhance the value we create for all the Group's stakeholders.

Micro-Mechanics has adopted the *Global Reporting Initiative* ("GRI") reporting framework as it is a globally recognized sustainability reporting standard to report on our sustainability performance. We have also incorporated the climate change risks and opportunities in our business as recommended by the *Task Force on Climate-related Financial Disclosures* ("TCFD") in the Report this year.

The data collected for the report is compiled from Micro-Mechanics' manufacturing facilities in Singapore, Malaysia, China, the Philippines, and the USA and is primarily based on core metrics as set forth by SGX-ST. This Report has not been externally assured. We will consider external assurance as the reporting process matures over time.

Although ESG is relatively new, and the reporting requirements are likely to evolve in the years to come, Micro-Mechanics has always been mindful of our impact on the environment and society. Therefore, we intentionally conduct our business in ways that mitigate risks, build a strong reputation for good governance, and promote sustainable business results.

For more information, suggestions, or feedback on this Report, please email investors@micro-mechanics.com.

SUSTAINABILITY REPORT

Year ended 30 June 2023

MESSAGE FROM THE BOARD OF DIRECTORS

The Board of Directors (the "Board") of Micro-Mechanics is pleased to present the ESG report for FY2023. The Board believes that sustainability reporting helps to identify improvements and opportunities within our organization and that this information is increasingly important to the Group's stakeholders. In other words, it is no longer enough to report *how much* the Company made in the financial year but also *how we made* it.

This Report provides us with a valuable opportunity to engage our stakeholders and respond to issues that matter most to them and to our business. The Board will continue to oversee the Risk Management/Sustainability Committee and monitor the key factors and initiatives in our sustainability practices, improving our disclosures as well as progressively updating targets that are material to the sustainability of our business. Ultimately, we aim to capture data that is relevant and leads us to enhance our decision-making processes, commence work on projects that create meaningful results, and improve the Group's long-term sustainability and performance.

In closing, we would like to thank our Chief Sustainability Officer ("CSO"), Mr. Mervyn Tan, and our people throughout the Group, for their diligent efforts that have made this Report possible. While we still have much to learn, we are excited about the potential that ESG offers to become one of the operating pillars for the Group as we strive for long-term financial success and sustainability.

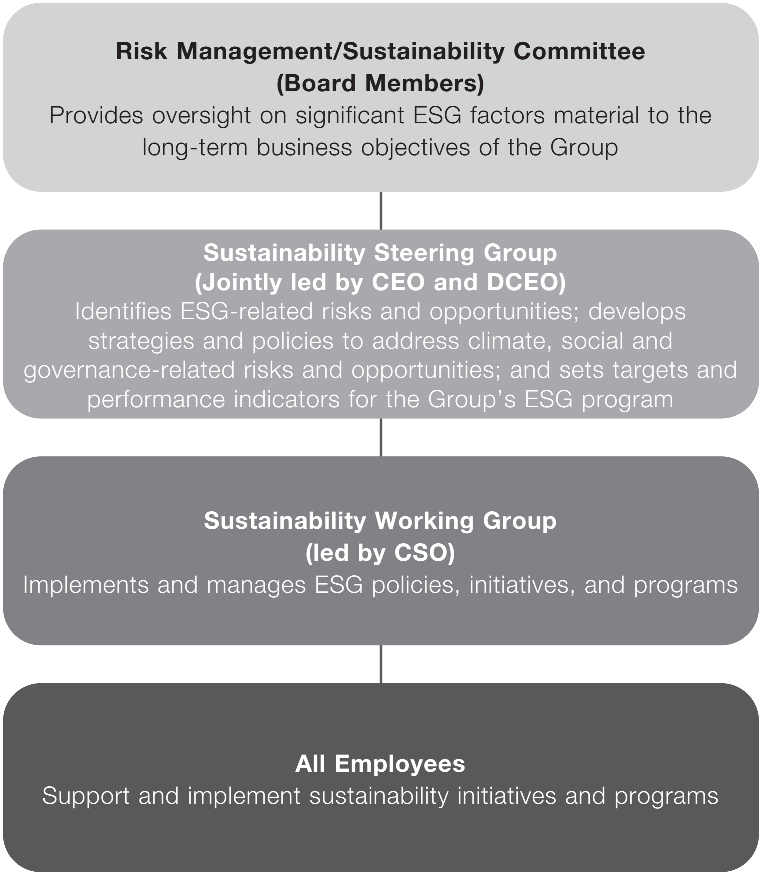
Sincerely,
Board of Directors
Micro-Mechanics (Holding) Ltd

REPORTING STRUCTURE

The oversight of the ESG reporting within Micro-Mechanics is under the purview of the Board's Risk Management/ Sustainability Committee ("RMSC"), which comprises three independent directors and two executive directors.

Reporting to the RMSC is the Sustainability Steering Group ("SSG"), which is jointly led by our Chief Executive Officer ("CEO") and Deputy Chief Executive Officer ("DCEO"). The SSG is responsible for approving ESG projects, tracking performance of various initiatives, and keeping watch over new technologies, government incentives, and other opportunities that may affect, or be of potential benefit to, the Group. The SSG is also responsible for developing ESG strategies and internal policies, which can then be communicated to the Sustainability Working Group ("SWG") for implementation and execution. The SWG is overseen by our CSO who works with members selected from the Group's five factories on various reporting and improvement initiatives.

The organizational structure described above is shown in the following chart:



MATERIALITY ASSESSMENT

One of the main objectives of ESG reporting is to bring to the forefront issues that may have material consequences in terms of building a sustainable business in the long term.

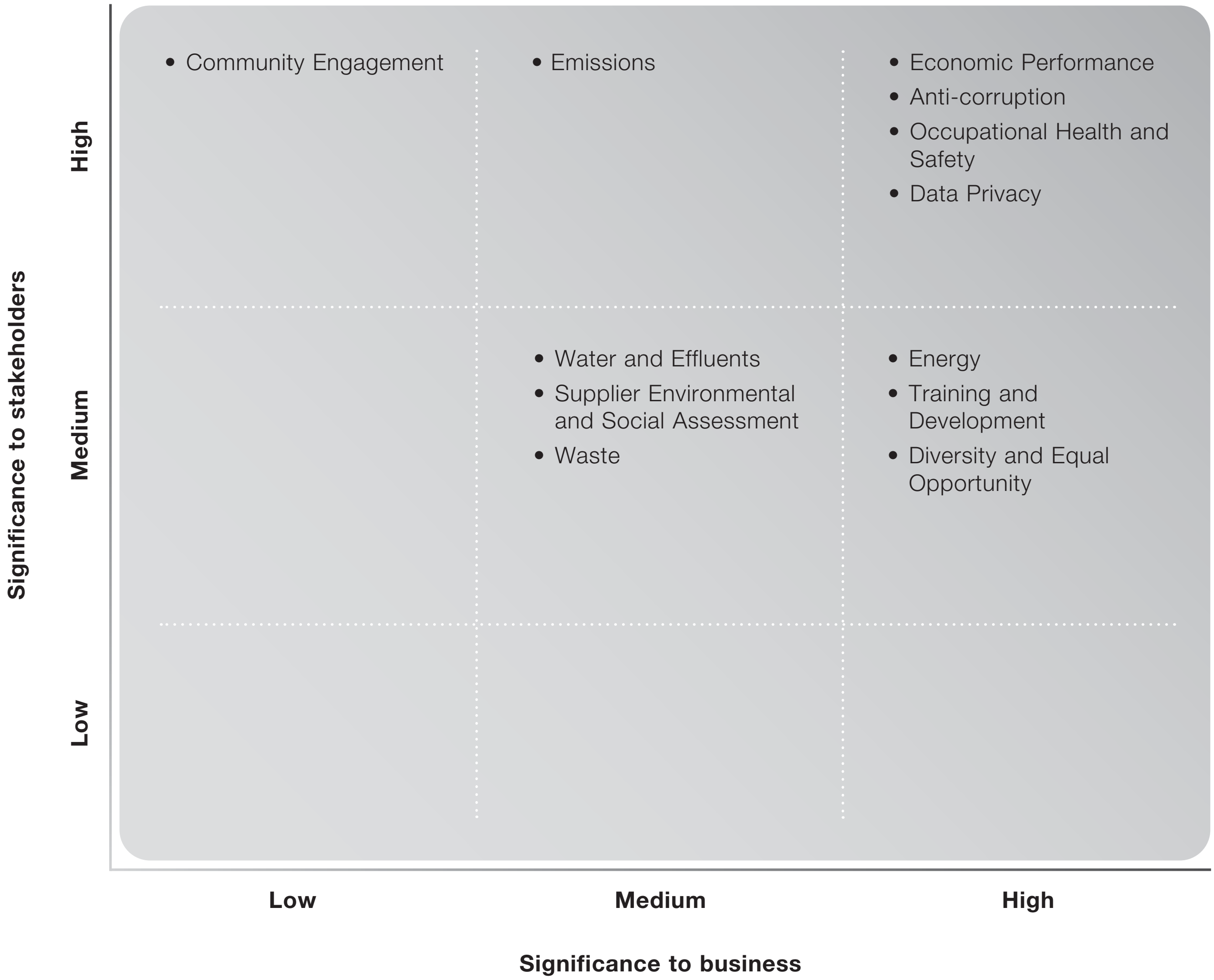
In FY2023, we have conducted materiality assessment exercise to determine and prioritize the ESG factors that are most pertinent to our stakeholders. The material ESG factors identified are presented in the materiality matrix and validated by the Risk Management/Sustainability Committee, which form the current basis of our ESG efforts and reporting.

Materiality Assessment Process

Identify material ESG factors and potential impacts → **Assess significance of impacts** → **Prioritize most significant impacts for reporting**

Material Factors	Corresponding Topics
ENVIRONMENTAL	GRI 301: Materials
	GRI 302: Energy
	GRI 303: Water and Effluents
	GRI 305: Emissions
	GRI 306: Waste
	GRI 308: Supplier Environmental Assessment
SOCIAL	GRI 401: Employment
	GRI 402: Labor/Management Relations
	GRI 403: Occupational Health and Safety
	GRI 404: Training and Education
	GRI 414: Supplier Social Assessment
	GRI 405: Diversity and Equal Opportunity
	GRI 413: Local Communities
	GRI 409: Forced or compulsory Labor
	GRI 406: Non-Discrimination
GOVERNANCE	GRI 201: Economic Performance
	GRI 205: Anti-Corruption
	GRI 418: Customer Privacy

Materiality Matrix



Stakeholder Engagement

Stakeholder engagement is important to our sustainability efforts. We engage with our stakeholders through various channels to ensure that our interests are aligned as well as to address stakeholders' concerns in a manner that will improve our business operations and relationships for long-term growth and sustainability.

We have identified six stakeholder groups. The channels we interact with them are detailed below:

Stakeholders	Key Topics/Concerns	Engagement methods
Investors and shareholders	• Economic and financial performance • Business strategy • Relevant disclosure to shareholders	• Media releases • Quarterly SGX announcements • Half-yearly results briefings for investors and media • Yearly AGM for shareholders • Annual Report • Ad hoc meetings and conference calls with our investor relations consultants • Email communications (investor@micro-mechanics.com) • Company website with investor relations section
Employees	• Employee engagement • Workplace health and safety • Training and development	• Materiality prioritisation session • Company handbook including our *Code of Conduct* • New staff orientation • Yearly employee performance and improvement dialogue • Bi-annual 8S audit • Town hall meetings • Anti-bribery policy and training • Training sessions • Emergency exercises • Whistleblowing policy in place
Customers	• Product quality • Compliance with the industry product standard • Customer satisfaction	• Customer visits by our sales personnel • Participation in industry trade shows • Material safety compliance requirements such as Restriction of Hazardous Substance (RoHS), Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) • Yearly customer satisfaction survey • Factory visits by customers
Suppliers	• Responsible business practices • Product quality assurance	• Supplier selection process • Supplier assessment • Meetings with suppliers
Regulators	• Compliance with laws and regulations • Anti-corruption and bribery	• Seminar/updates received from local government agencies on reporting standards • Internal processes are in place to ensure compliance with local government laws and regulations • Zero tolerance of non-compliance tone set by top management

Communities	• Social development	• Compliance with local government laws and regulations • Prioritizing employment of local nationals and residents • Participating in and supporting community activities and charitable organizations

STRATEGY & RISK MANAGEMENT

Climate-related risks and opportunities

Based on the information from the National Climate Change Secretariat, we have identified the following short, medium, and long-term climate-related risks and opportunities:

a) Climate-Related Risks

Type of Risk	Climate-Related Risks	Potential Financial Impacts	Mitigation Plan
Transition Risk	**Policy and Legal**		
	Singapore Green Plan 2030, Net Zero 2050 • Mandatory sustainability reporting • Implementation of Carbon Tax • Super Low Energy Buildings • Greening buildings • Minimum Energy Efficiency Standards 2019 • Energy Conservation Act 2012 • Water Efficiency Labelling Scheme 2009	• Additional costs to comply with policies and regulations, including the implementation and monitoring of GHG emissions • Costs required to phase out old equipment with poor energy efficiency and to replace with better energy efficiency equipment in order to stay relevant.	• To ensure compliance with all applicable policies and legal requirements. • To develop in-house GHG emissions tracking program • To set aside sufficient funds for phasing out and replacing equipment with poor energy efficiency.
	Zero Waste Master Plan • Resource Sustainability Act 2019 • Mandatory Packaging Reporting Framework Green Finance Action Plan • Environmental Risk Management	• Costs required to set up and maintain a packaging recycling program or to change to a new packaging system	• To explore reduction in packaging materials used within the operations, and examine ways to recycle used packaging.

Type of Risk	Climate-Related Risks	Potential Financial Impacts	Mitigation Plan
Transition Risk	**Technology and Market**		
	Customers • Development of low-emissions products • Customers requiring suppliers to adhere to certain GHG emissions requirements • Customers requiring Life Cycle Assessment data of products	• Research and development costs to explore the possibility of developing low-emissions products. • Additional costs required for the training of competent people to implement Life Cycle Assessment of our products. • Loss of business if standards are not met.	• To set aside resources for research and development and Life Cycle Assessment implementation.
	Regulators • Adoption of energy-efficient equipment • Adoption of carbon tax credits • Adoption of circular economy • Phasing out of high-GWP refrigerants • Mandatory adoption of LED lighting	• Cost to replace old fluorescent lightings with LED light tubes • Cost to set up and operate a waste-recovery program • Additional costs to replace air conditioning systems with low-GWP refrigerants	• To set aside sufficient funds to replace lighting and aging air conditioning systems.
	Suppliers • Increase in cost of materials and transport of products as suppliers factor in additional costs into their products	• Increase in material prices results in lower profit margins.	• To explore ways to use resources and materials more efficiently. • To source materials locally wherever practicable.
	Reputation		
	• Pressure from stakeholders to do more • Pressure from benchmarking against peers	• Loss of business to competitors with better sustainability programs	• To possess a comprehensive sustainability plan and to develop business strategies which take into consideration market trends and peer performance.

Type of Risk	Climate-Related Risks	Potential Financial Impacts	Mitigation Plan
Physical Risks	**Acute**		
	Increase in extreme weather events • Flash Floods • Droughts	• Cost to relocate facilities to areas that are not affected • Loss of businesses due to relocation to areas that are not affected • Increased insurance premiums • Damage to company equipment and property • Disruption of infrastructure • Disruption of utilities • Disruption to normal company operations	• To develop business continuity plans to reduce disruptions to business operations and to ensure disruptions to customers' operation is minimized. • To contribute to the global efforts to curb and reduce GHG emissions.
	Chronic		
	• Raising of sea levels • Increase in ambient temperatures	• Increased potential for floods • Cost to relocate facilities to areas that are not affected • Loss of business due to relocation to areas that are not affected • Increased insurance premiums • Increased energy use for air conditioning systems	

b) Climate-Related Opportunities

Type of Opportunities	Climate-Related Opportunities	Potential Financial Impacts
Resource Efficiency	• Take advantage of governmental policies and grants • Adoption of technologies that reduce resource consumption • Move to more energy-efficient buildings • Change to low-GWP refrigerants • Increased recycling rates	• Reduced operating costs upon adoption of improved or more efficient equipment, methods, and processes. • Blunted sensitivity to carbon tax credit pricing due to reduced consumption of resources
Energy Source	• Adoption of alternative energy sources	• Onsite generation of energy results in the reduction in operation costs • Reduced GHG emissions • Excess carbon tax credits can be traded • Less sensitive to fuel price volatility
Products and Services	• Develop products that fit into a circular economy • Shift in customer requirements/ preferences to low-emissions products	• Increase in revenue through higher demand for lower emissions products • New business revenue stream to retrofit and refurbish old products
Markets	• Low-emissions products become a customer requirement	• Capture of market share from competitors who are not able to develop products with lower emissions
Resilience	• Formulation of contingency and backup plans	• Improvement in reputation due to resilience planning

ENVIRONMENTAL

Greenhouse Gas Emissions

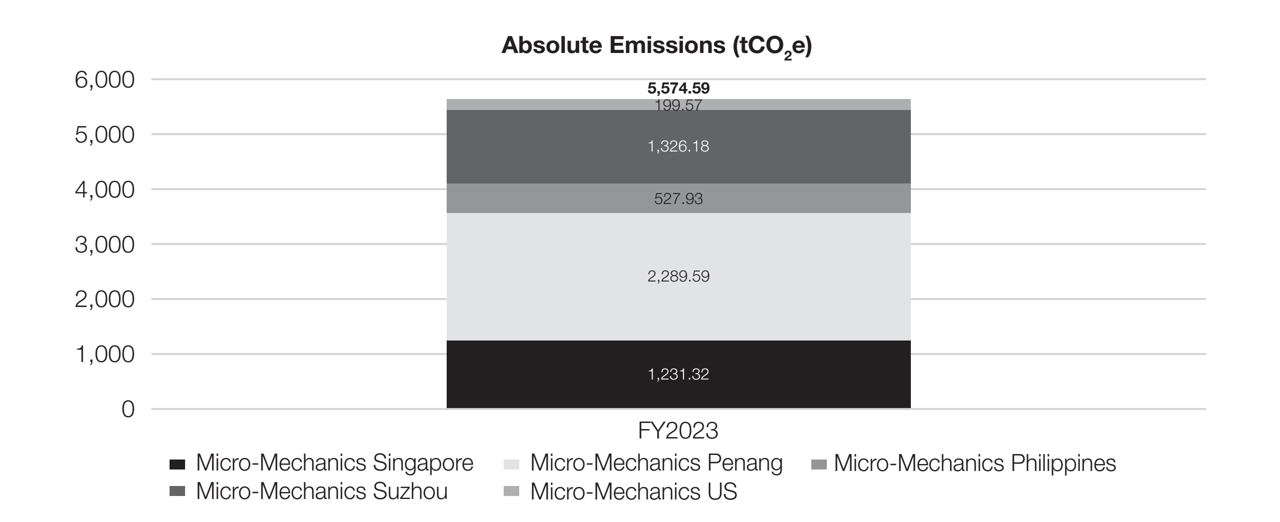
Greenhouse gases (GHG) are gases in the atmosphere that trap and absorb heat from the sun and can cause the Earth's temperature to rise. There are seven main greenhouse gases that are being tracked by the International Panel on Climate Change (IPCC). These include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), fluorinated gases such as hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

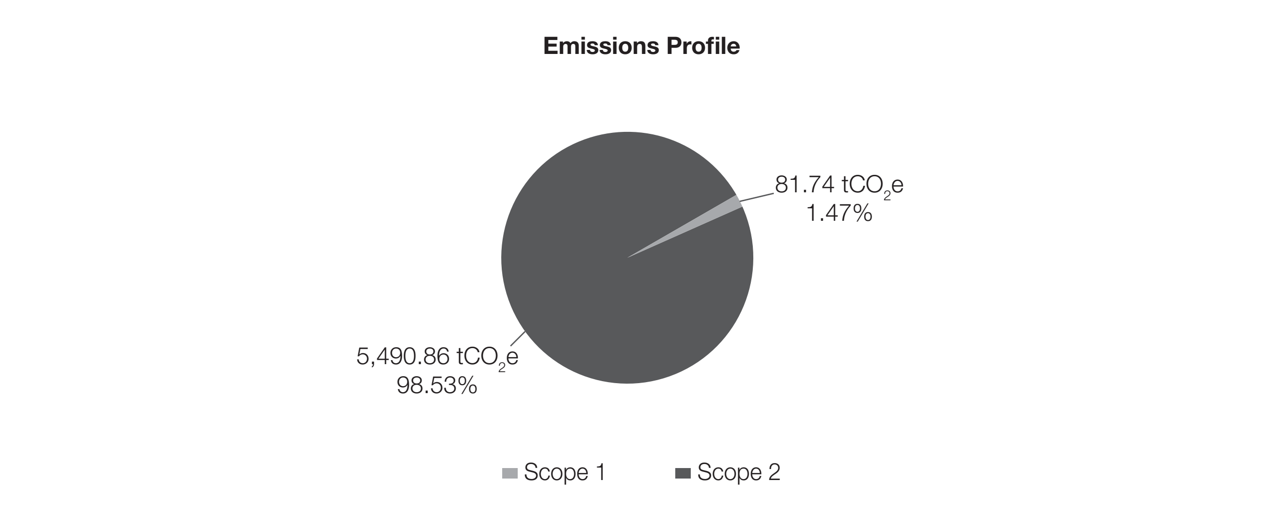
Scientific studies increasingly point to GHGs as a leading cause of climate change and the resulting effects of rising sea levels, extreme weather events, and a global increase in mean temperatures.

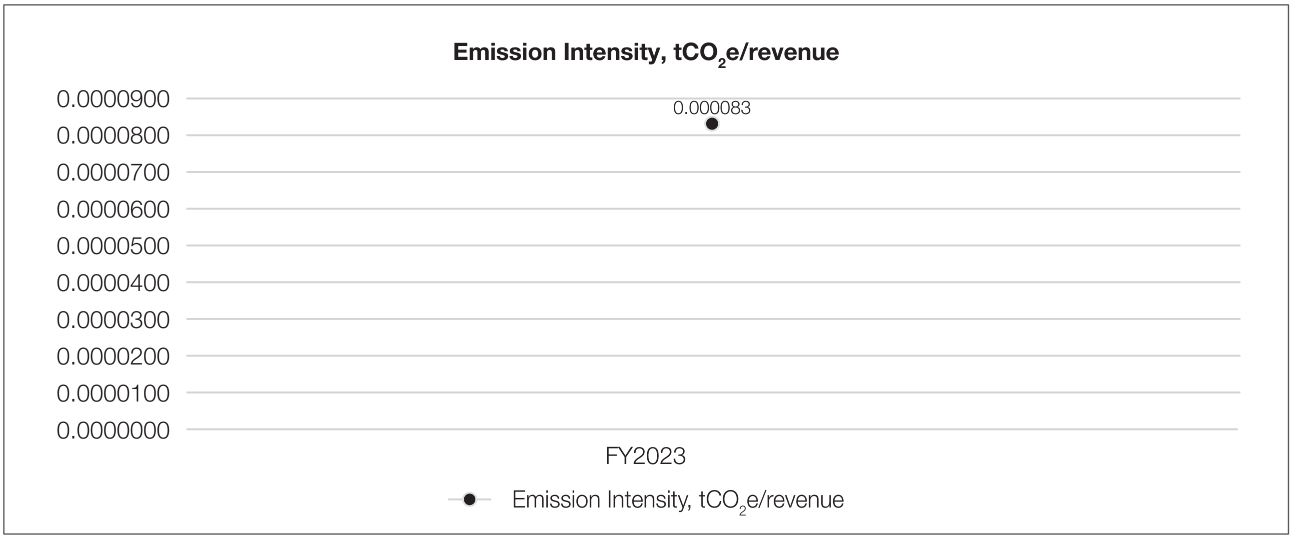
Tracking GHG emissions is the first step to understanding how we can reduce our GHG emissions. We have adopted the GHG Protocol's Corporate Standards to track and report on our GHG emissions. In this Report, we have considered all seven GHGs that are tracked by IPCC. Currently, we are only able to track Scope 1 and 2 of GHG emissions. Due to the difficulty in evaluating Scope 3 emissions, we will not be disclosing Scope 3 emissions.

In FY2023, we embarked on a group-wide initiative to monitor and measure our GHG emissions. Our sustainability teams at each manufacturing facility have received training on the identification of emissions sources and the calculation of Scope 1 and 2 emissions. We have adopted an equity share approach to the consolidation of our GHG emissions as all the subsidiaries are wholly owned by the Group.

Of the total GHG emissions generated in FY2023, 98.2 % were Scope 2 emissions, stemming from the purchase and use of electricity for our operations, totaling 5,490.86 tons of CO_2. We will continue to monitor and report on our GHG emissions, as well as to formulate and develop various initiatives within the organization, with the aim of setting a reduction target in the coming years.



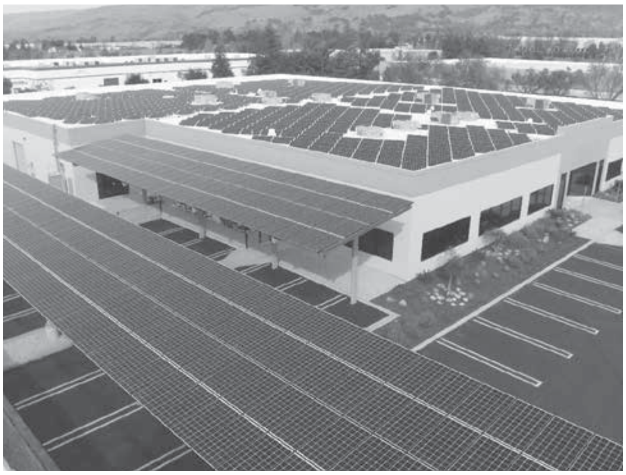




Energy Consumption

Energy consumption refers to the amount of energy used by a company to power its operations, such as lighting, heating, cooling, and machinery. It is crucial to control energy consumption as we work towards minimizing the use of resources in our operations, creating efficiencies, and generating savings. By reducing energy consumption, not only can we reduce our energy bills and increase profitability, but we can also lower our GHG emissions and contribute to the global effort in the reduction of GHG emissions.

At our manufacturing facility in the USA ("MMUS"), solar panels are used to reduce our reliance and energy consumption from the power grid. In FY2023, the solar panel generated approximately 1,000,000 kilo-watt hours of power from the sun, which constituted approximately 50% of MMUS energy requirements. The building exterior of MMUS was constructed with structures designed to provide passive cooling in the form of shade, further reducing the cooling costs during the hot summer months.



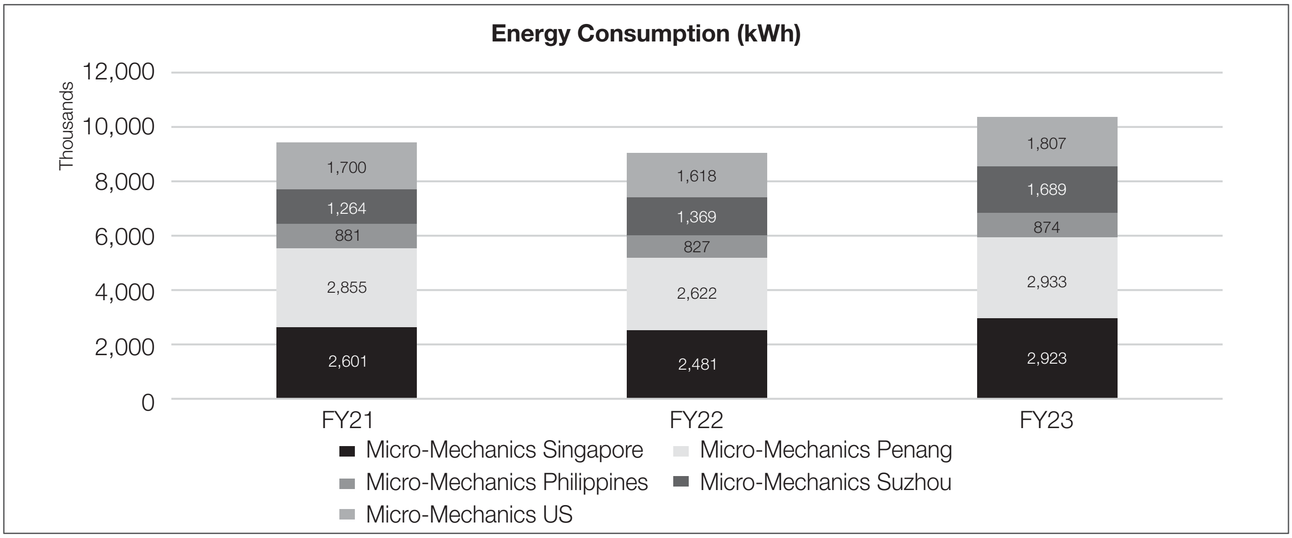
Plant in California, USA, using solar panels

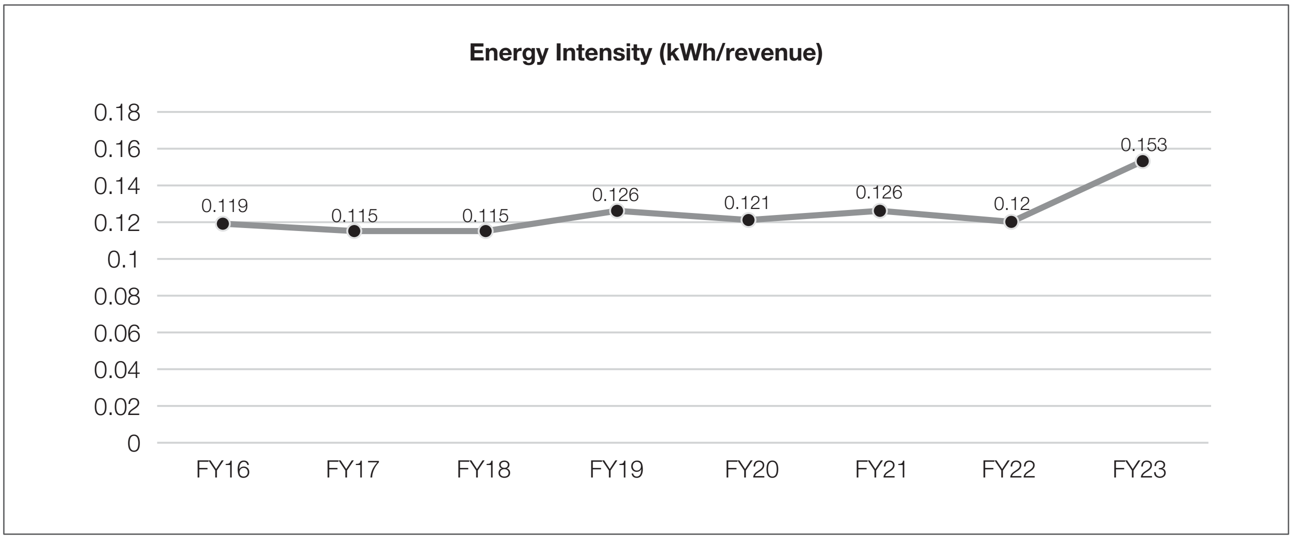
Construction of passive shading structures combined with solar panels during FY2023

In Singapore, we have considered installing solar panels. However, due to building limitations, we were not able to do so. Instead, we are looking into other energy-saving initiatives, such as exploring the use of LED lighting and more energy-efficient air conditioning equipment. We will continue to provide further updates on these aspects in our future ESG reports as we progress.

In FY2023, Our total energy consumed across the Group was 10,226,478 kilo-watt hours of electricity. The energy intensity of 0.153kWh/revenue was higher than the 0.12kWh/revenue achieved in FY2022, mainly due to lower revenue reported in FY2023. All energy was used within the organization, and no energy was used outside the organization.

Our target energy intensity cap was set at no higher than 10% of the energy intensity of the previous financial year. To achieve this target, we will work towards the reduction in energy usage by increasing operational efficiency.





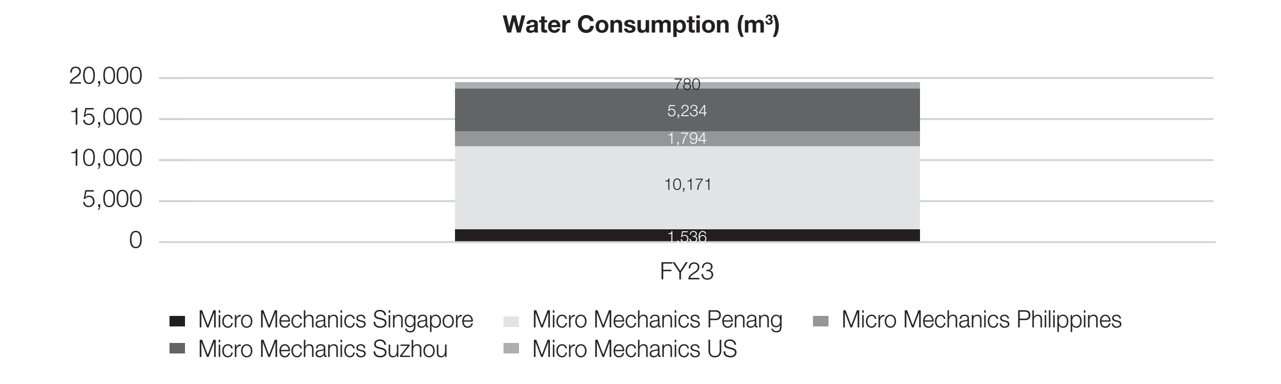
Water Consumption

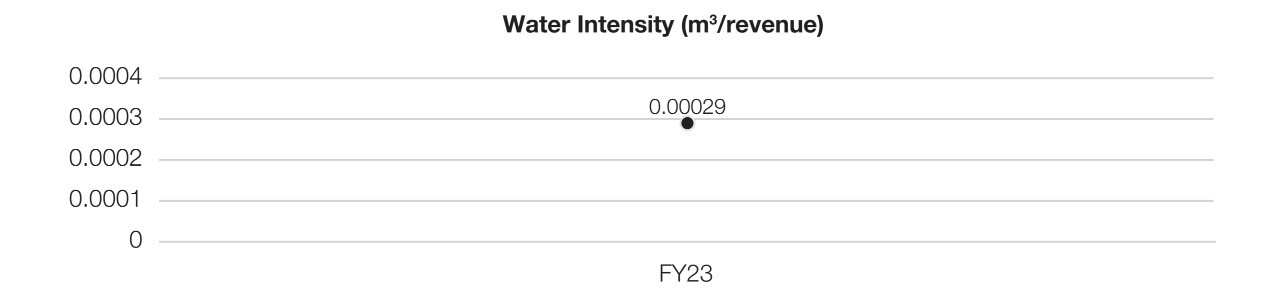
Water is a finite resource, and its availability is becoming increasingly scarce in many parts of the world. It is essential for companies to manage their water consumption to minimize the environmental impact of their operations and to ensure that they are not contributing to water scarcity.

Most, if not all, of our factories are located in areas where water is scarce. Our factories draw water from public utilities. As part of our water management, we inspect water fittings regularly, use water-efficient fittings where feasible, and address leaks as quickly as possible. In addition, our employees are encouraged to use water responsibly and to report any faulty fittings to building management.

Micro-Mechanics produces two types of wastewater during operations. One type of wastewater can be released into the sewer system and handled by public water treatment plants. The other type of wastewater, which is known as trade effluents, contains chemical components; therefore, it is collected and stored in large drums. After a critical volume is accumulated, the Group engages government-approved chemical waste collectors to dispose of these trade effluents. For FY2023, we have yet to establish a process for recording the volume of trade effluents designated for disposal. Also, we have yet to determine a comprehensive approach for verifying the proper disposal by each government-approved collector. Therefore, data on trade effluents have not been included in this Report.

In FY2023, the Group consumed a total of 19,515 cubic meters of fresh water from various water sources.

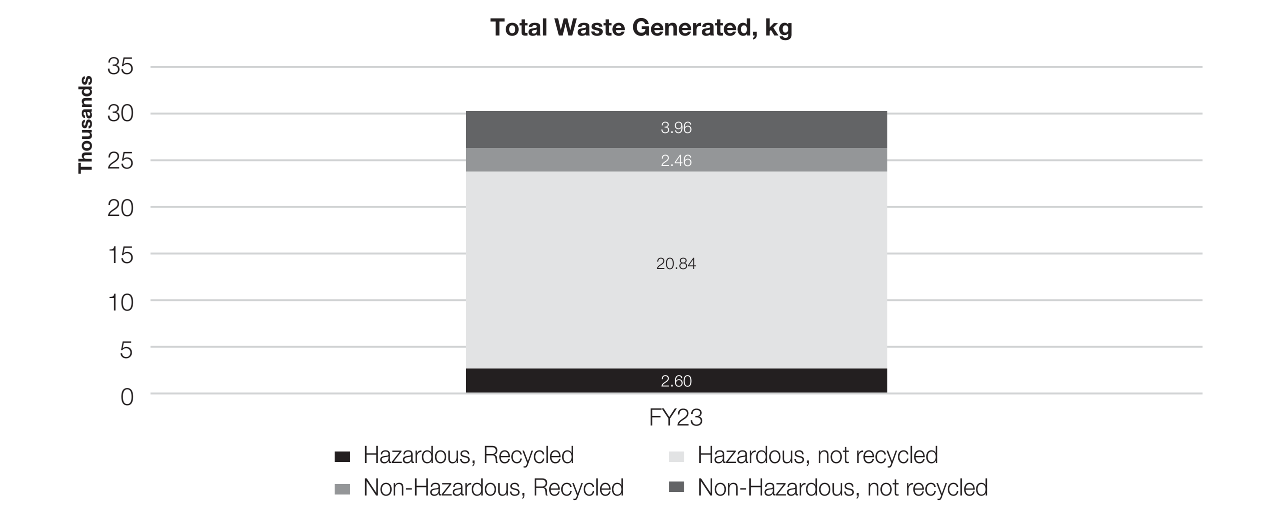




Waste Generation

As a precision manufacturing company, we generate both solid and liquid waste byproducts from our operations. Most of these waste materials are either hazardous or non-hazardous which require specialized waste collectors to ensure proper disposal.

In FY2023, the Group generated 29,856 kg of waste of which 69.81% were considered hazardous, hence they were not recycled. Another 8.71% is considered hazardous but can be recycled through the engagement of third-party, government-approved vendors capable of handling and recycling hazardous materials.



As this is a new area of disclosure for Micro-Mechanics, currently, we do not have all the relevant information regarding the different waste streams, their respective weights, and disposal details. Moving forward, we plan to collect such data at each of our plants so as to initiate meaningful waste-reduction projects.

SOCIAL

A Respectful and Welcoming Culture Based on Merit and Equal Opportunity

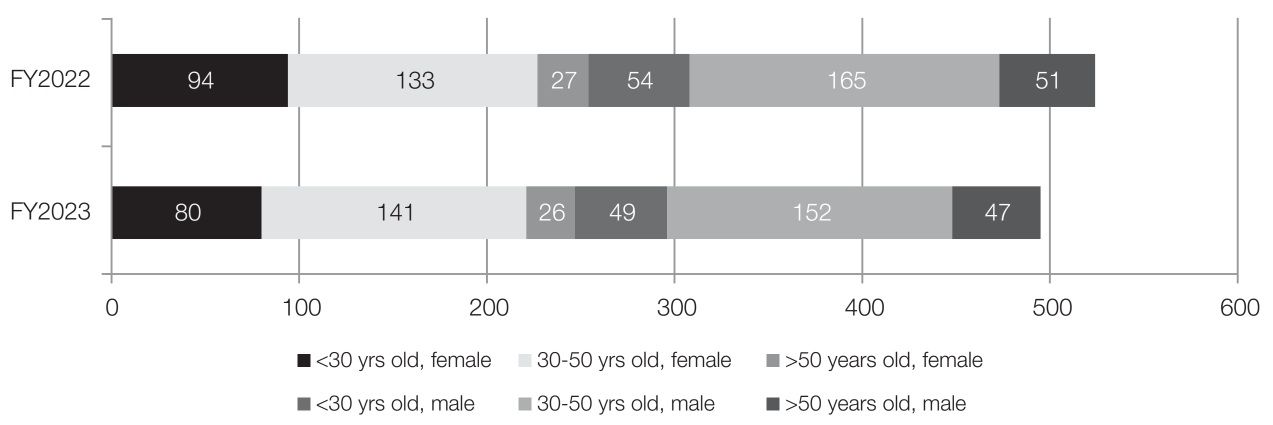
Employees are Micro-Mechanics' greatest assets. We want to foster a respectful and welcoming culture. Together, with employee engagement and management support, we believe this is the foundation that will enable individuals to excel in their relevant roles. As of 30 June 2023, our total headcount was 495, comprising 50.1% male and 49.9% female. All our employees are employed on a full-time basis across our five factories. In FY2023, our turnover rate was 19.27%. The higher turnover rate was due to personnel reductions implemented in MMUS restructuring in 4Q23.

We practice fair employment principles and are committed to merit-based and non-discriminatory recruitment and advancement of employees. Applicants and employees are assessed based on their skills, knowledge, and competencies. By applying the fair and equal opportunity employment principles, Micro-Mechanics aims to build an organization where all employees are respected and valued based on their performance and contributions to the Group.

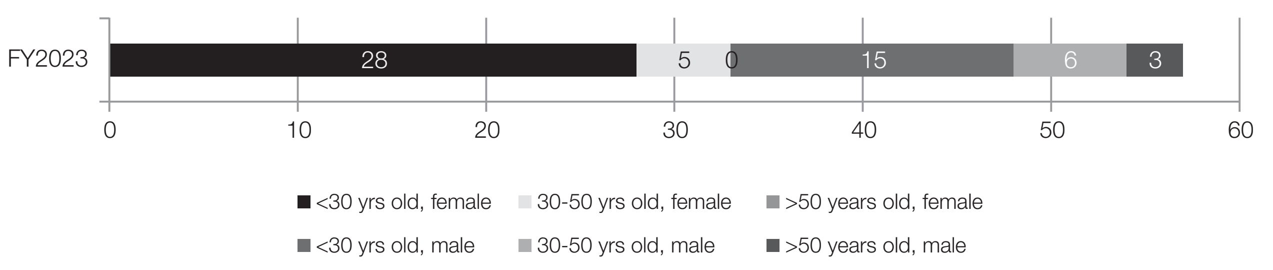
At Micro Mechanics, we aim to build a culture that is safe, welcoming, and based on a Code of Conduct, which applies to everyone, at all levels of the Group, which we refer to as *Do It Right*. We also have in place a whistleblowing policy with processes to ensure that the reporting of any incidents of discrimination (or other instances) are heard and handled in confidence in a fair and appropriate manner.

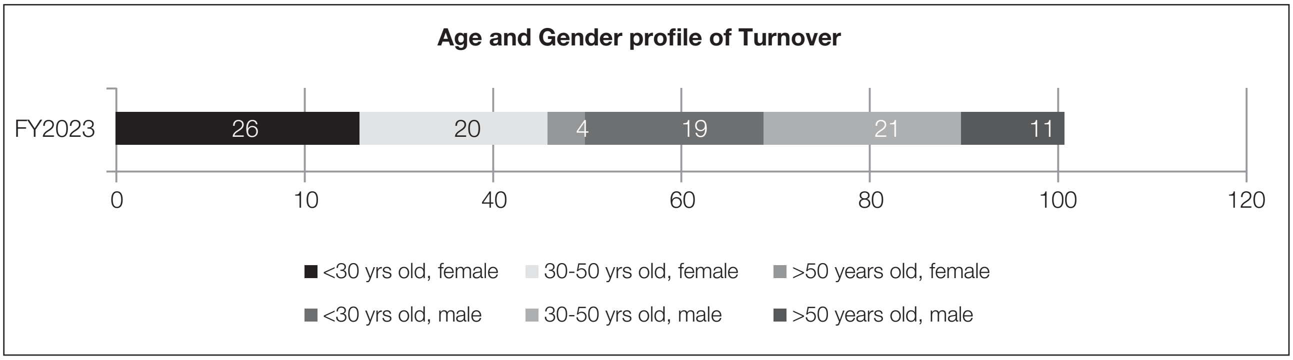
In FY2023, there were no reports of discrimination received.

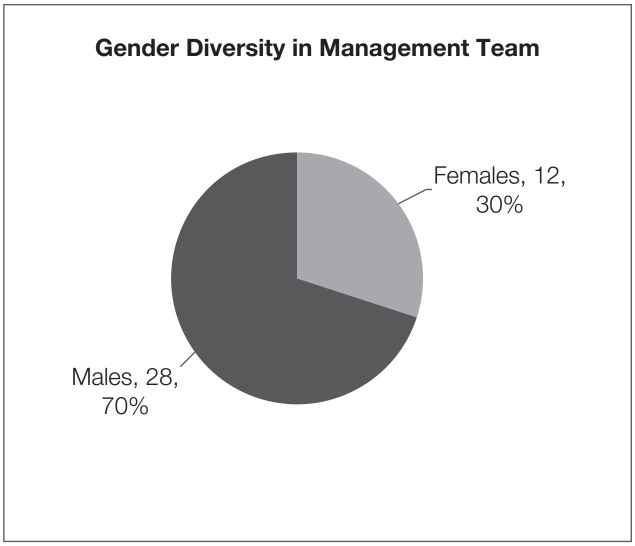
Age and Gender profile of current employees

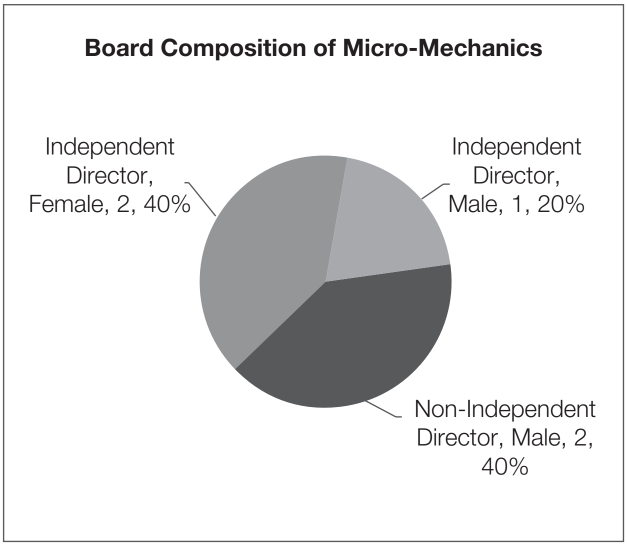


Age and Gender profile of New Hires







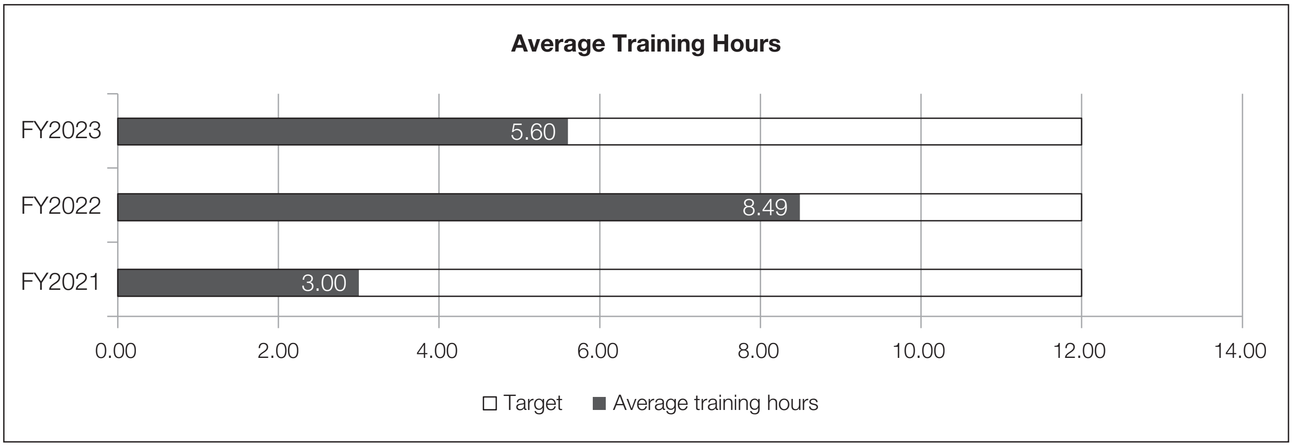


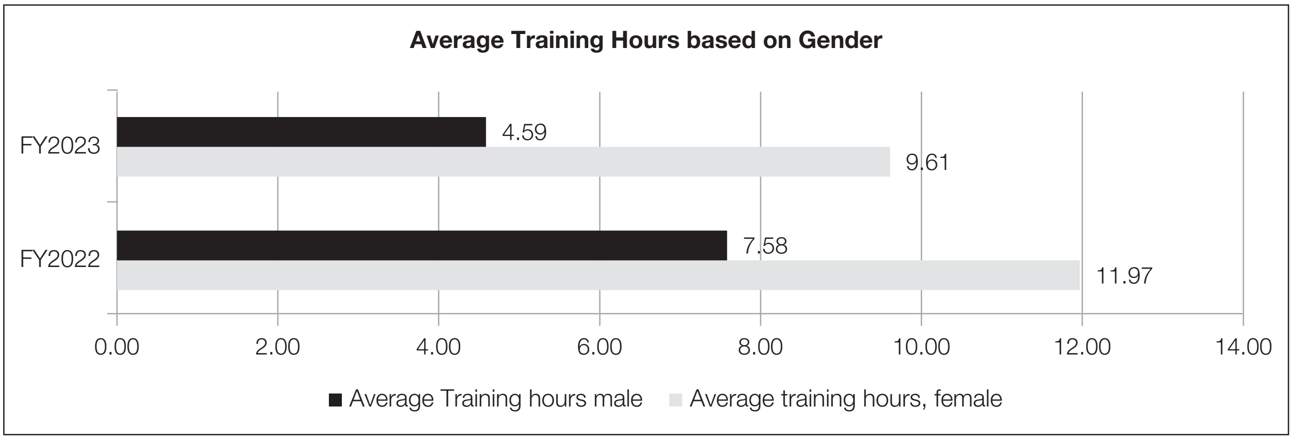
Our Employee Handbook sets forth the values, principles and our approach to fair, equal, and merit-based opportunity within the organization. Employees can refer to the handbook for more information on Micro-Mechanics' hiring practices, advancement, and career opportunities.

Training and Development

Training programs at Micro-Mechanics are designed to provide employees with the specific skills and knowledge required to perform their roles effectively. It is crucial that our employees possess the requisite skills and knowledge to perform their jobs. We identify, plan, and review the effectiveness of the training provided to employees to ensure they are equipped with the know-how to do their jobs to the best of their abilities.

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





During FY2023, our employees fulfilled a total of 2,390.75 training hours. This equates to an average of 5.6 hours of training attended per employee as compared to 8.49 hours of training per employee in FY2022. Although we did not achieve our target of 12 hours of training per employee, we will continue to do our best to provide the training needed by all employees. We target to maintain an average of 12 hours of training per employee in FY2024.

Occupational Health and Safety

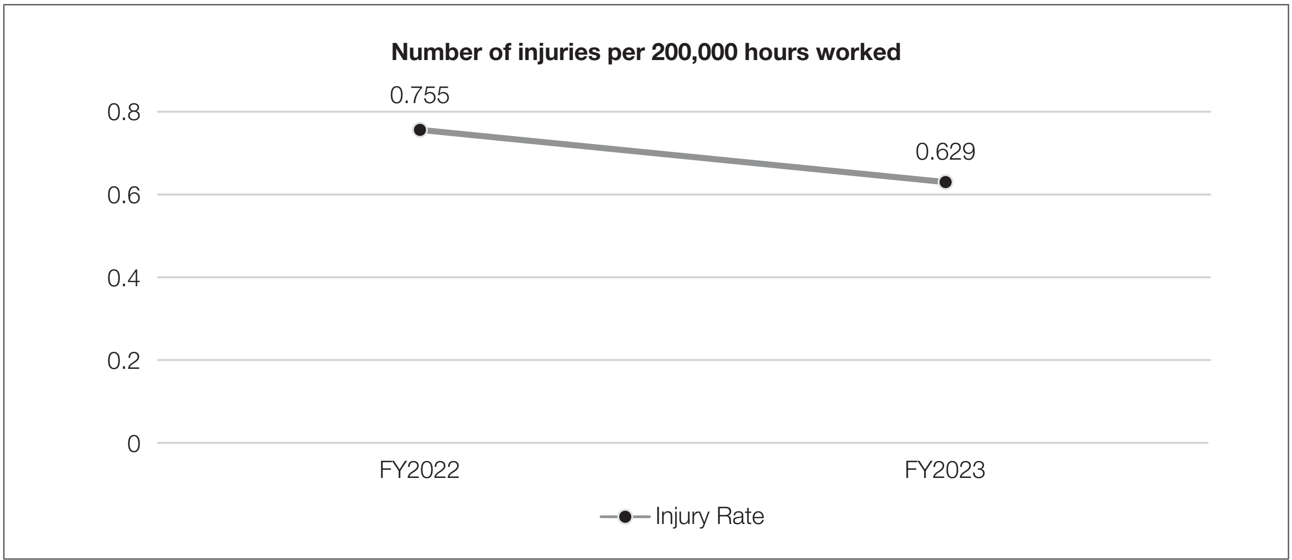
Micro-Mechanics believes that all employees should have a safe and clean working environment. Prioritizing worker health and safety not only improves productivity, but it can also reduce the costs associated with workplace injuries and illnesses.

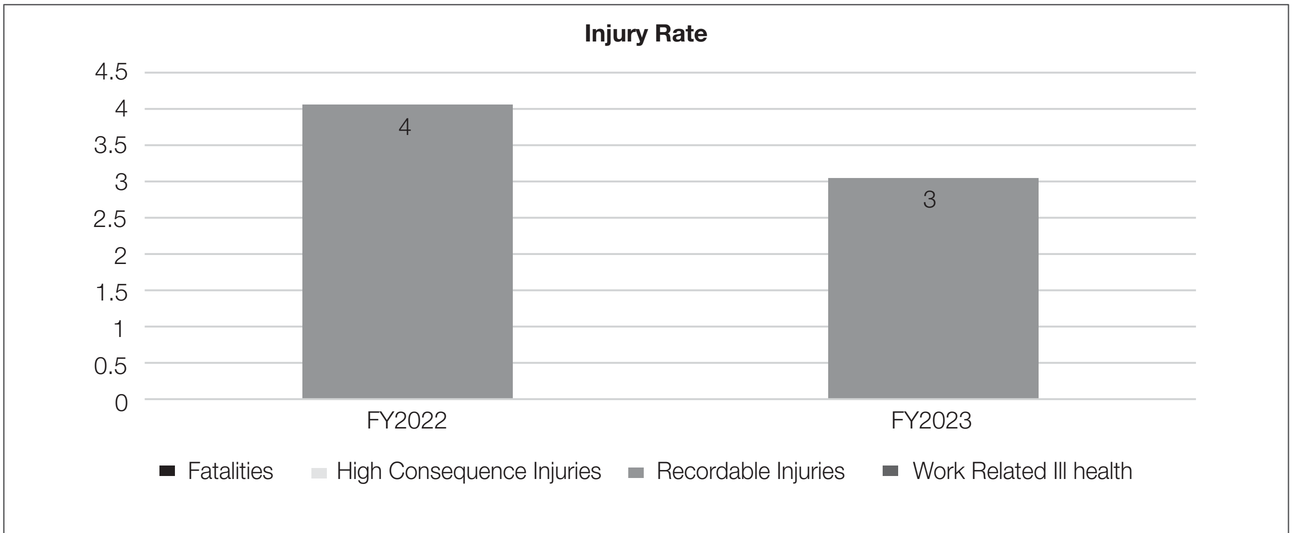
Our *8S System* provides the framework for all manufacturing facilities to ensure that the work environment is organized, efficient, safe, and clean for our employees. The *8S System* is our take on the 5S methodology developed and implemented in Toyota's Production Systems. In addition to the original 5 "S's," we have identified additional steps such as "Shrink," "Safety," and "Sync" to improve quality, reduce cost, and promote worker safety. Each manufacturing facility has its own in-house 8S team, and the team members are responsible for developing and maintaining the *8S system* based on their respective requirements. These 8S teams are led by an 8S President who is responsible for regular communication of the company's health and safety policies and bi-annual audits of the working environment. Employees are also encouraged to raise any safety issues whenever they have concerns. This will allow potential safety issues to be rectified promptly.

In FY2023, our 8S team in Singapore worked diligently to improve virus monitoring and control, as such, the Singapore factory was awarded the Bizsafe Level 3 by the Workplace Safety and Health Council (WSHC).

To encourage safe work practices in the workplace, we are also monitoring all serious injuries, fatalities, and work-related illnesses throughout our facilities. During FY2023, Micro-Mechanics reported no fatal accidents, no major accidents and 3 minor accidents. We have clocked a total of 953,141 hours in FY2023 with an injury rate of 0.629 injuries per 200,000 hours worked, as compared to 0.755 injuries per 200,000 hours in FY2022. We document and learn from every incident and thrive to ensure similar accidents do not occur.

We aim to maintain zero cases of work-related injuries. We shall continue to stringently apply and abide by the existing official health and safety policies and enhance our in-house health and safety procedures.





Supplier Social and Environmental Assessment

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

To ensure that the products manufactured comply with the above requirements and standards, we expect our suppliers to also abide by the same set of rules and regulations, including providing Certificates of Conformance (COC) and Material Safety Data Sheet (MSDS) upon delivery of goods for verification. We also require the suppliers in our preferred supplier list to adopt the RBA principles and guidelines by providing a letter of declaration to confirm compliance.

Annual assessments and audits of direct material suppliers on the adherence to RoHS, REACH, as well as RBA principles and guidelines were carried out to ensure that our supply chain is aligned with our requirements. In FY2023, 100% of the direct material suppliers provided us with COC and MSDS documentation while 90.48% confirmed adherence to the RBA principles against a target set of 100% and 90% respectively.

Community Engagement

Micro-Mechanics is committed to giving back to the local communities in the countries in which we operate. In FY2023, each of our subsidiaries has donated either cash or groceries to the charities or organizations they have selected, including Children Cancer Foundation (in Singapore) and Silver Jubilee Home (in Malaysia). Our subsidiary in Philippines supported 150 needy families in Barangay Bucal, Calamba City Laguna with cash donations while our subsidiary in the United States donated cash to the Tower Foundation of San Jose State University.

Distribution of groceries to needy families in Barangay Bucal, Calamba City Laguna

Distribution of groceries to Silver Jubilee Home in Malaysia

GOVERNANCE

Economic Performance

The sudden and sharp slowdown in the industry has resulted in the reduction of full-year revenue by 18.7% to $67.0 million in FY2023 from $82.5 million in FY2022. Additionally, the rising costs of materials, manpower, and energy has placed significant pressure on our gross profit, which decreased by 29.2% to S$31.2 million during FY2023 from S$44.0 million in the previous financial year. Profit before tax was also affected by an operating loss of S$1.5 million at our plant in the USA. As a result, the Group's profit after tax decreased by 50.7% to S$9.8 million in FY2023 from S$19.8 million during FY2022.

As the Group moves into FY2024, we will continue our strategy to grow our core businesses by maintaining a strong and unrelenting focus on the value we bring to our customers, while building sustainable, competitive advantages through repeatable, scalable, and cost-effective manufacturing processes.

In our pursuit of excellence and operational efficiency across all our facilities, we have secured ISO 9001:2015 certification for Quality Management Systems. We have also obtained the ISO 22301:2015 certification for Business Continuity Management Systems, reinforcing our capability to ensure business continuity and deliver sustainable financial performance.

For more details on our operations and financial information, please refer to the following sections of our annual report 2023:

- Chairperson, CEO and Deputy CEO messages on pages 2 to 5
- Financial Statements and Notes to the Financial Statements on pages 73 to 125

Business Ethics

Micro-Mechanics believes in conducting every aspect of our business with the highest degree of fairness, integrity, and ethical behavior, and in accordance with the local laws and regulations of the jurisdictions in which we operate. Underpinning this philosophy is our Code of Conduct titled *Do It Right*, which is based on the 9 guiding principles: Diligence, Ownership, Integrity, Teamwork, Respect, Ingenuity, Governance, Habit and Teamwork.

We did not incur any fines or non-monetary sanctions pertaining to non-compliance of laws and regulations in FY2023. We will strive to maintain full compliance with all applicable laws and regulations.

- **Anti-corruption practices**

  To underscore our dedication to ethical practices, Micro-Mechanics has attained the ISO 37001:2016 certification for Anti-Bribery Management Systems since 2019. ISO 37001 specifies requirements and provides guidance for establishing, implementing, maintaining, reviewing, and improving anti-bribery management. Processes and policies addressing anti-bribery and corruption were developed and implemented to identify and mitigate potential corporate risks. By implementing globally recognized anti-bribery good practices, Micro-Mechanics aims to uphold a zero-tolerance policy on bribery and corruption incidents.

  During FY2023, we did not receive any reports or become aware of any of such incidents.

- **Data Privacy**

  Data privacy is the appropriate and authorized use of data to protect customers' and individuals' right to privacy. Micro-Mechanics takes seriously the privacy of personal data. We have strict governance processes and controls in place to safeguard, detect, and prevent breaches and data leaks. In accordance with the Personal Data Protection Act ("PDPA"), a Data Protection Officer (DPO) has been appointed to oversee data protection responsibilities and to ensure compliance with PDPA. All employees were trained and are required to observe the policies and guidelines as stipulated by the PDPA.

  In February 2022, our Singapore plant was awarded the Personal Data Protection Trustmark certified by Infocomm Media Development Authority (IMDA). This signifies our integrity and ethical handling of personal data.

  In FY2023, we did not receive any substantiated complaints from outside parties or regulatory bodies relating to breach of customer privacy. We aim to maintain zero cases of data privacy breach in FY2024.

GRI CONTENT INDEX

GRI Standard	Disclosure		Location	Omission		
				Requirements omitted	Reason	Explanation
General Disclosures						
GRI 2: General Disclosures	2-1	Organizational Details	Pg. 103			
	2-2	Entities included in the organization's sustainability report	Pg. 14			
	2-3	Reporting periods, frequency, and contact point	Pg. 14			
	2-4	Restatements of information			Not Applicable	No restatements of information for this FY
	2-5	External assurance		2-5 a, b	Not Applicable	Company not seeking external validation of sustainability report as of now
	2-6	Activities, value chain, and other business relationships		2-6 b ii, iii, c, d	Confidentiality Constraints	Non-Disclosure agreements have been signed with members within the value chain
	2-7	Employees	Pg. 28-32			
	2-8	Workers who are not employees			Not Applicable	
	2-9	Governance structure and composition	Pg. 16			
	2-10	Nomination and selection of the highest governance body	Pg. 16			
	2-11	Chair of the highest governance body	Pg. 16			
	2-12	Role of the highest governance body in overseeing the management of impacts	Pg. 16			
	2-13	Delegation of responsibility for managing impact	Pg. 16			
	2-14	Role of highest governance body in sustainability reporting	Pg. 16			
	2-15	Conflicts of interest	Pg. 16			
	2-16	Communication of critical concerns	Pg. 16			
	2-17	Collective knowledge of the highest governance body	Pg. 16			

GRI Standard	Disclosure		Location	Omission		
				Requirements omitted	Reason	Explanation
	2-18	Evaluation of the performance of the highest governance body	Pg. 16			
	2-19	Renumeration policies			Confidentiality Constraints	
	2-20	Process to determine renumeration			Confidentiality Constraints	
	2-21	Annual total compensation ratio			Confidentiality Constraints	
	2-22	Statement on sustainable development strategy	Pg. 16			
	2-23	Policy commitments	Pg. 16			
	2-24	Embedding policy commitments	Pg. 16			
	2-25	Process to remediate negative impacts	Pg. 16			
	2-26	Mechanisms for seeking advice and raising concerns	Pg. 18-19			
	2-27	Compliance with laws and regulations	Pg. 35			
	2-28	Membership associations				Group is member of Singapore Precision Engineering & Technology Association and Singapore Business Federation
	2-29	Approach to stakeholder engagement	Pg. 19-20			
	2-30	Collective bargaining agreements		2-30 a, b	Not Applicable	Company does not operate in areas requiring collective bargaining
Material Topics						
GRI 3: Material Topics	3-1	Process to determine material topics	Pg. 17			
	3-2	List of material topics	Pg. 17			
	3-3	Management of material topics	Pg. 17			

GRI Standard	Disclosure		Location	Omission		
				Requirements omitted	Reason	Explanation
Economic Performance						
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	See financial report			
	201-2	Financial implications and other risks and opportunities due to climate change	Pg 20-23			
	201-3	Defined benefit plan obligations and other retirement plans			Not Applicable	Company pays into government supported retirement plans
	201-4	Financial assistance received from government			Information unavailable	Company does not collect such data
Anti-Corruption						
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	Pg. 35			
	205-2	Communication and training about anti-corruption policies and procedures	Pg. 35			
	205-3	Confirmed incidents of corruption and actions taken	Pg. 35			
Tax						
GRI 207: Tax	201-1	Approach to Tax			Information unavailable	Company outsources to third party vendor to handle taxes
	207-2	Tax governance, control, and risk management			Information unavailable	Company outsources to third party vendor to handle taxes
	207-3	Stakeholder engagement and management of concerns related to tax			Information unavailable	
	207-4	Country-by-country reporting			Information unavailable	Company outsources to third party vendor to handle taxes

GRI Standard	Disclosure		Location	Omission		
				Requirements omitted	Reason	Explanation
Materials						
GRI 301: Materials	301-1	Materials used by weight or volume		301-1 a	Information unavailable	Data not collected by company
	301-2	Recycled input materials used		301-2 a	Information unavailable	Data not collected by company
	301-3	Reclaimed products and their packaging materials		301-3 a, b	Information unavailable	Data not collected by company
Energy						
GRI 302: Energy	302-1	Energy consumption within the organization	Pg. 25-26			
	302-2	Energy consumption outside the organization			Not Applicable	Company does not consume energy outside of the organization
	302-3	Energy Intensity	Pg. 25-26			
	302-4	Reduction of energy consumption			Not Applicable	New material topic for FY
	302-5	Reductions in energy requirements of products and services			Not Applicable	Not intending to conduct LCA on products and services
Water and Effluents						
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource			Information unavailable	Organization consumes water during production but does not know where it is drawn
	303-2	Management of water discharge-related impacts	Pg. 27			
	303-3	Water withdrawal	Pg. 27	303-3 c	Information incomplete	
	303-4	Water discharge	Pg. 27			

GRI Standard	Disclosure		Location	Omission		
				Requirements omitted	Reason	Explanation
	303-5	Water consumption			Not Applicable	Organization does not consume water. All non-contaminated water used by organization is discharged into the sewer system. Contaminated water is collected for further treatment and then discharged.
Emissions						
GRI 305: Emissions	305-1	Direct (Scope 1) emissions	Pg. 23-25	305-1 a	Information incomplete	Not all emissions sources were able to be identified this FY
	305-2	Energy indirect (Scope 2) emissions	Pg. 23-25			
	305-3	Other indirect (Scope 3) emissions		305-3 a, b, c, d, e, f, g	Information unavailable	Insufficient resources to report on Scope 3 emissions
	305-4	GHG intensity	Pg. 23-25			
	305-5	Reduction of GHG emissions			Not Applicable	New reporting metric
	305-6	Emissions of ozone-depleting substances (ODS)		305-6	Not Applicable	Organization does not use equipment with ODS
	305-7	Nitrogen Oxides (NOx), sulphur oxides (SOx), and other significant air emissions		305-7	Information incomplete	Not all emissions sources were able to be identified this FY

SUSTAINABILITY REPORT

Year ended 30 June 2023

GRI Standard	Disclosure		Location	Omission		
				Requirements omitted	Reason	Explanation
Waste						
GRI 306: Waste	306-1	Waste generation and significant waste-related impacts	Pg. 28		Information incomplete	Organization does not have a documented process to measure waste generation
	306-2	Management of significant waste-related impacts	Pg. 28		Information incomplete	
	306-3	Waste generated	Pg. 28		Information incomplete	
	306-4	Waste diverted from disposal	Pg. 28		Information incomplete	
	306-5	Waste directed to disposal	Pg. 28		Information incomplete	
Supplier Environmental Assessment						
GRI 308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria			Information unavailable	Such information is not typically collected
	308-2	Negative environmental impacts in the supply chains and actions taken			Information unavailable	Such information is not typically collected
Employment						
GRI 401: Employment	401-1	New employee hires and employee turnover	Pg. 28-30			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part time employee	Pg. 28-30			
	401-3	Parental leave			Information unavailable	Data not collected by company
Labor/Management Relations						
GRI 402: Labor/ Management Relations	402-1	Minimum notice periods regarding operational changes	Pg. 30			

GRI Standard	Disclosure		Location	Omission		
				Requirements omitted	Reason	Explanation
Occupational Health and Safety						
GRI 403: Occupational Health and Safety	403-1	Occupational Health and Safety Management System	Pg. 31-32			
	403-2	Hazard identification, risk assessment and incident investigation	Pg. 31-32			
	403-3	Occupational health services	Pg. 31-32			
	403-4	Worker participation, consultation, and communication on occupational health and safety	Pg. 31-32			
	403-5	Worker training on occupational health and safety	Pg. 31-32			
	403-6	Promotion of worker health	Pg. 31-32			
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			Not Applicable	Organization does not send its employees to other companies for work
	403-8	Workers covered by an occupational health and safety management system	Pg. 31-32			
	403-9	Work-related injuries	Pg. 31-32			
	403-10	Work-related ill health	Pg. 31-32			
Training and Education						
GRI 404: Training and Education	404-1	Average hours of training per year per employee	Pg. 30-31			
	404-2	Programs for upgrading employee skills and transition assistance programs	Pg. 30-31			
	404-3	Percentage of employees receiving regular performance and career development reviews	Pg. 30-31			

GRI Standard	Disclosure		Location	Omission		
				Requirements omitted	Reason	Explanation
Diversity and Equal Opportunity						
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	Pg. 28-30			
	405-2	Ratios of basic salary and renumeration of women to men		405-2	Confidentiality Constraints	Organization does not collect data on this metric
Non-Discrimination						
GRI 406: Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	Pg. 29			
Forced or Compulsory Labor						
GRI 409: Forced or compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Pg. 35			
Local Communities						
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs			Not Applicable	No operations identified to have negative impacts on local communities
	413-2	Operations with significant actual and potential negative impacts on local communities			Not applicable	No operations identified to have negative impacts on local communities
Supplier social assessments						
GRI 414: Supplier social assessment	414-1	New suppliers that were screened using social criteria	Pg. 33			
	414-2	Negative social impacts in the supply chain and actions taken	Pg. 33			
Customer Privacy						
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pg. 35			

CORPORATE GOVERNANCE

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

This report describes the Company's corporate governance policies, processes and structures for the financial year ended 30 June 2023 ("**FY2023**") with specific reference made to the principles and provisions of the Code. The Company has complied with most of the provisions and guidelines of the Code. Explanations for non-compliance are provided in this statement.

HIGHLIGHTS

1. In the latest Singapore Governance and Transparency Index (SGTI) 2023 released on 4 August 2023, Micro-Mechanics ranked 14th (13th in 2022) out of 474 SGX listed companies under the general category.

2. With effect from 1 January 2023, Mr Kyle Christopher Borch was appointed as an Executive Director. Relevant particulars of Mr Kyle Borch are on page 10.

3. With effect from 31 January 2023, Mr Chow Kam Wing retired as Executive Director and was thereafter appointed as a mentor and advisor for period of one year in accordance with pre-agreed arrangements to allow for a smooth transition.

4. With effect from 30 April 2023, Mr Low Ming Wah retired as Executive Director and thereafter was appointed as a mentor and advisor for period of one year in accordance with pre-agreed arrangements to allow for a smooth transition.

5. In May 2023, our Singapore plant operations were successfully re-assessed as conforming to the Business Continuity Management System standard ISO22301:2012.

6. In June 2023, our Singapore plant operations were successfully re-assessed as conforming to the Anti-Bribery Management System standard ISO37001:2016.

BOARD MATTERS

Features of our Board

- Separation of the role of Chairperson and CEO
- Three out of five directors are independent and non-executive
- The Chairperson of the Board and the Chairpersons of the Board's four committees are independent and non-executive
- The 3 independent directors are not related. The 2 executive directors being Mr Christopher Borch and Mr Kyle Borch are father and son respectively
- There is a diversity of gender, professional backgrounds and expertise, including lawyers, a chartered accountant, an engineer and an MBA, ages and nationalities on the Board

The Board's Conduct on Affairs

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

Provision 1.1

Board responsibilities

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

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

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

Directors are required to, and do abstain from discussion and decision making on any matters relating to them. This is to avoid any conflict of interests. For example an executive director whose remuneration is being approved will not be party to the discussions of the Remuneration Committee or the Boards in this regard and a retiring director is not included in discussions relating to that director's suitability for re-election or independence. All related parties' transactions are fully disclosed and approved by the Board and the director/s involved will abstain from the approval process.

Provision 1.2

Training

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

The directors are also updated in a timely manner on regulatory changes which have a bearing on the Company and the directors' obligations towards the Company. The Vice President ("VP") of Finance who is also the Company Secretary has been tasked with providing or making arrangements for the directors to obtain such updates.

All directors are required to obtain at least 8 hours of continuous learning every year to maintain, develop or deepen their skills or knowledge of the company's business or the business, economic and regulatory environment in which the group operates so as to better discharge their duties as directors. The Company is prepared to bear the cost of such continuous development. In FY2023, all the directors confirmed that they had achieved this requirement.

CORPORATE GOVERNANCE

Provision 1.3
Internal guidelines
The Board regularly reviews all matters within its purview including but not limited to business strategies, development plans and the performance of the Group. Reviews are also made of the annual budget, announcements of financial results, annual reports, performance bonus incentives and any acquisition or disposal of material assets. There are comprehensive internal guidelines on matters that require the Board's approval, such as directors dealing in company's shares, changes in the Company's constitution and structure, material capital commitments, commencing and defending litigation etc. These internal guidelines are reviewed and approved by the Board annually.

Provision 1.4
Delegated Committees
To assist in the execution of its responsibilities, the Board has established the following committees, namely an Audit Committee, a Nominating Committee, a Remuneration Committee and a Risk Management/Sustainability Committee. These committees are chaired by independent and non-executive directors and function within clearly defined terms of reference and operating procedures. The Board and the Committees meet regularly and, if necessary, on an ad hoc basis.

Provision 1.5
Attendances and number of meetings
To facilitate the ease, frequency and speed of Board/Committee meetings, the Company's Constitution allows Board/ Committee members to attend meetings via any electronic or telegraphic methods of simultaneous communication including via tele-conference.

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

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

NA – not applicable as the director was not a member of the Committee at the time of meeting
* – attendance by invitation of the Committee
** – attendance as Secretary of the Committee
^ – Mr Low Ming Wah retired as director on 30 April 2023
^^ – Mr Chow Kam Wing retired as director on 31 January 2023
^^^ – Mr Kyle Borch was appointed as director on 1 January 2023

Provision 1.6
Board and Committee meetings
The management supplies financial, marketing, human resource and asset management reports and financial highlights to the Board on a monthly basis. In addition, the Board receives quarterly financial reports with budget variance analysis as well as the announcement of the Company's quarterly results.

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

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

Provision 1.7
Direct access to management team
The Directors have separate, unfettered and direct access to the management team, the company secretary, the internal auditor and the external auditors at all times. Additionally, the Directors are encouraged to visit our overseas subsidiaries to meet in person with our management teams there.

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

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

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

Provision 2.1
To ensure an independent Board, the Board ensures that all independent non-executive board members are not related to any officers of the Company. At least half the Board comprises members that are independent and non-executive. The Chairperson of the Board is an independent non-executive director. The Board's four Committees are chaired by independent and non-executive directors.

Provision 2.2
Independent and non-executive directors make up half of the Board. The Chairperson is non-executive and independent.

Provision 2.3
Non-executive directors make up half of the Board. The Board Chairperson is independent and non-executive. All Committees are chaired by independent and non-executive directors. According to the Company's Constitution, the Chairperson has second or casting vote in case of any equal voting on matters.

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

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

Provision 2.4

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

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

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

Range of Board Diversity

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

Independence

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

Gender

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

Nationality and ethnicity

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

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

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

Provision 2.5
The non-executive directors, led by our Chairperson, meet with our External and Internal auditors without the presence of the management annually. The non-executive directors meet amongst themselves at least once a year without the presence of management. Thereafter, the Chairperson will provide feedback to the Board for improvements, if any.

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

Provision 3.1
Ms Sumitri Mirnalini Menon @ Rabia is the independent and non-executive Chairperson of the Board of Directors and Mr. Christopher Borch is the Chief Executive Officer ("**CEO**") of the Group. The Chairperson and the CEO are not related to one another.

Provision 3.2
The major responsibilities of the non-executive Chairperson are:

– to ensure that Board meetings are held when necessary to enable the Board to perform its duties and facilitate the Company's operations;

– to set Board meeting agendas in consultation with the company secretary and the executive directors;

– to review all Board papers;

– to provide adequate, timely and relevant materials and Board papers to the Board members to help ensure the quality, quantity and timeliness of the flow of information between management and the Board;

– to ensure the Company practices effective communications with shareholders;

– to assist in ensuring compliance with the Company's guidelines on corporate governance;

– to propose new members to be appointed to the Board with consultation with the Nominating Committee.

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

Provision 3.3
The Chairperson is a non-executive and independent director. As such there is no lead independent director appointed.

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

Provision 4.1
The Board discusses and reviews succession plans for executive directors and key management every year. Instead of attempting to identify any particular replacement, the Board focuses on having a system and framework in place to train potential leaders within a support team so that there should be little or no disruption if any executive director or key manager leaves the Company. All executive directors and senior management personnel are always supported by deputies and a trained support team. Since the Company's initial public offer, there has been a smooth transition following the departures of facility heads without any interruption to the Group's operations. This is similarly applicable to the departure of executive directors.

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

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

With effect from 1 July 2010, all directors are required to obtain at least 8 hours continuing education each financial year by attending or participating in seminars,courses etc which may be relevant to their skills, the company's business, the business or regulatory environment etc so as to better discharge their duties as directors. In addition, independent directors are encouraged to visit one or more of the Group's facilities outside Singapore and attend our in-house training programs offered by the Group to its employees in order to more fully understand the Group's business and day-to-day operations.

The Company is prepared to pay for the cost of such continuing education. During FY2023, all directors met the continuing education target.

The Company's Constitution requires one-third of our directors to retire and subject themselves to re-election by shareholders at every AGM. At the forthcoming AGM, Mr Christopher Reid Borch and Miss Lai Chin Yee will retire by rotation. Mr Christopher Borch and Miss Lai have consented to stand for re-election. After taking into account their contributions and performance, the NC has recommended to the Board that Mr Christopher Borch and Miss Lai be nominated for re-appointment at the forthcoming AGM.

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

Provision 4.2

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

Chairperson	:	Sumitri Mirnalini Menon @ Rabia
Member	:	Lai Chin Yee
Member	:	Kenny Kwan Yew Kwong

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

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

– to make recommendations to the Board on the re-nomination of retiring directors standing for re-election at the Company's Annual General Meeting ("**AGM**"), having regard to the directors' contributions and performance;

– to determine annually whether or not an independent director is independent;

– to determine whether a director is able to and has been adequately carrying out that director's duties as a director of the Company;

– to ensure that disclosure of key information relating to directors is in the annual reports as required by the Code;

– to decide how the Board's performance may periodically be evaluated against objective criteria;

– to review the board's succession plan, in particular, the roles of Chairperson and CEO;

– to develop a process for the evaluation of the Board's performance as a whole, that of its committees and if and when appropriate, its individual members.

Provision 4.3

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

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

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

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

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

Provision 4.4

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

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

Policy on the independence of independent directors

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

– Establishes the methodology the Board shall use to assess the independence of each independent director bearing in mind the definition of independence in the Code;

– Identifies the information that shall be collected from each independent director to make the assessment of independence; and

– Fixes the elements of disclosure to shareholders with regard to the assessment to be made, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of an independent director.

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

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

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

A director is independent if the director:

(a) is not employed by the Company or any of its related corporations for the current or any of the past three financial years;

(b) does not have close family ties to an executive director of the Company or any of its related corporations;

(c) does not have an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations as a senior executive officer whose remuneration is determined by the RC;

(d) does not accept any compensation from the Company or any of its subsidiaries other than compensation for board service for the current or immediate past financial year;

(e) does not have an immediate family member who is accepting any compensation from the Company or any of its subsidiaries other than compensation for board service for the current or immediate past financial year;

(f) is not a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organization to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments (in excess of an aggregate of S$100,000 per annum) in the current or immediate past financial year;

(g) does not have an immediate family member who is a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organization to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments (in excess of an aggregate of S$100,000 per annum) in the current or immediate past financial year;

(h) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the independent director's ability to act in the best interests of the Company;

(i) does not have a relationship which would interfere, or be reasonably perceived to interfere with, the exercise of independent judgment in carrying out the functions of an independent director of the Company; and

(j) does not receive a significant holding of shares in the company by way of gift or financial assistance from the company or its major shareholders for the purchase of shares.

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

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

CORPORATE GOVERNANCE

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

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

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

Director who has served over 9 years

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

Ms Sumitri Mirnalini Menon @ Rabia has fulfilled all the other criteria of being an independent director. In addition, notwithstanding the length of her service, the Board judged her independent in character and judgment after noting factors demonstrating continued independence such as expressions of frank, divergent and independent views at meetings, the complete absence of any other circumstances that might compromise independence and the absence of any evidence of a lack thereof. On 14 October 2022, Ms Menon's proposed appointment to the Board was approved by the shareholders of the Company not including the existing directors and the majority shareholder under the then applicable two-tier approval mechanism. The Board is confident that Ms Sumitri Mirnalini Menon @ Rabia has the ability to continue exercising strong independent judgment in the discharge of her duties and has requested that she continue for the ensuing year. Ms Sumitri Mirnalini Menon @ Rabia has acceded to the Board's request.

The company has received more than 30 public recognitions collectively from the Singapore Corporate Awards, Securities Investors Association (Singapore) and Asia Money for its good corporate governance practices since its IPO, including the Best Managed Board Gold Award at the Singapore Corporate Awards in 2012 and 2017. In the latest Singapore Governance and Transparency Index (SGTI) 2023 released on 4 August 2023, Micro-Mechanics ranked 14th (13th in 2022) out of 474 SGX listed companies under the general category. Many of these awards were granted under the chair of Ms Sumitri Mirnalini Menon @ Rabia.

On 11 January 2023, the SGX-ST removed with immediate effect the two-tier voting mechanism under Rule 210(5)(d)(iii) and introduced new Rule 210(5)(d)(iv) which limits the tenure of independent directors serving on the boards of listed issuers to nine years. As a transition, independent directors whose tenure exceeds the nine-year limit can continue to be deemed independent until the issuer's AGM held for the financial year ending on or after 31 December 2023 so long as they meet the requirements in Rule 210(5)(d)(i) and Rule 210(5)(d)(ii) of the Listing Manual. As Ms Sumitri Mirnalini Menon @ Rabia satisfies these requirements, she can continue to be deemed independent until the conclusion of the AGM for the financial year ending 30 June 2024, which is expected to be held in Oct 2024. Miss Lai Chin Yee, who has served 9 years as of June 2023, will retire in the coming AGM to be held on 30 October 2023 and if re-elected, will continue to serve as an independent director until the next AGM in year 2024.

Provision 4.5
On 1 May 2010, the Board resolved to limit each director to holding not more than four (4) directorships in listed companies including the Company. At the end of the financial year, it was confirmed that this restriction was complied with by all directors.

The NC also investigated each director's other board appointments and found their directorships were of unrelated companies which posed no issue for or would result in any conflict of interest vis a vis the Company. It is part of the NC's duties to review and ascertain whether any director who has multiple Board representations is able to and has been effectively carrying out such director's duties in accordance with its internal guidelines in this regard and to ensure these guidelines remain relevant. All directors are required to formally declare their other Board representations.

During FY2023, all directors attended the AGM and all Board and Committee meetings. (For details, please refer to Provision 1.5 of this statement)

Directorships

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

Name	Present Directorships	Past Directorships (preceding 3 years)
Christopher Borch	NIL	NIL
Kyle Borch	NIL	NIL
Sumitri Mirnalini Menon @ Rabia	NIL	NIL
Lai Chin Yee	Singapore Paincare Holdings Limited	Qian Hu Corporation Limited
Kenny Kwan Yew Kwong	Keppel DC REIT Management Ltd	NIL

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

Provision 5.1 and Provision 5.2

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

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

Peer Evaluation/Board Chairperson Evaluation

During FY2022, a Director Peer Performance Evaluation was carried out by all the directors. Each Board member evaluated the performance of that member's peers and submitted the duly completed evaluation to the NC Chairperson. Directors also evaluated the performance of the Board Chairperson and submitted the completed evaluation to the CEO. After collecting the evaluations, the Board Chairperson discussed the evaluation with respective director privately. Similarly, the CEO discussed personally with the Board Chairperson regarding the feedback from Board members on the Chairperson's performance. The exercise will be carried out biennially.

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

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provision 6.1

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

– to make recommendations to the Board on the framework for remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind for the Board and key executives and to determine specific remuneration packages for each executive director and key management personnel;

– to review all benefits and long-term incentive schemes (including share schemes), whether directors and key management personnel should be eligible for benefits under long-term incentive schemes and compensation/remuneration packages for the Board and key executives;

– to review annually the remuneration package of directors and key management personnel;

– to review specific remuneration packages (the performance bonus incentive) for directors and key management personnel;

– to review service contracts of the executive directors;

– to review remuneration packages of employees who are related to any director or substantial shareholders.

Provision 6.2
The Remuneration Committee ("**RC**") has three members, all of whom are independent and non-executive directors.

The members are:

Chairperson	:	Kenny Kwan Yew Kwong
Member	:	Sumitri Mirnalini Menon @ Rabia
Member	:	Lai Chin Yee

Provision 6.3
Service contracts with the CEO and Deputy CEO who are executive directors, are renewable every two years with a notice period of three months in each of their respective service contracts. There are no onerous clauses or 'golden handshake' provisions in connection with termination. There are no termination, retirement and post- employment benefits that are granted to the executive directors, the CEO and the key management personnel. These service contracts are subject to the review and approval of the Remuneration Committee. An over-riding principle of our remuneration policy is that no director is involved in deciding that director's own remuneration.

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

Provision 6.4
The company did not appoint any remuneration consultant during the financial year.

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

Provision 7.1
The Company adopts a remuneration package for employees including executive directors, which is made up of fixed and variable components. The fixed component is the base salary and the variable components are the Performance Bonus Incentive ("PBI") scheme, special bonus and the schemes mentioned below being the Sales Incentive scheme and the Performance Shares Plan.

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

Cap on bonuses to employees and executive directors
To ensure a sensible bonus structure in line with performance and remuneration objectives there is a cap and control on the total amount of bonuses to employees and executive directors. Employees of profitable subsidiaries are entitled to PBI but the aggregate amount should not be more than l0% of that subsidiary's profit pre-tax and pre-bonus, except for MMUS which has a bonus system that is based on operational KPIs. Executive directors are entitled to PBI and the aggregated executive bonus should not be more than 10% of the Group profit pre-tax and pre-bonus.

Provision 7.2
The independent and non-executive directors receive directors' fees in line with the market bearing in mind the size of the company and the level of contribution, time spent, efforts and responsibilities of each independent and non-executive director. The calculation of director's fees for independent and non-executive directors is as follows:

– the base director's fee + 15% for each Committee Chairperson;

– the base director's fee + 30% for Audit Committee Chairperson;

– the base director's fee + 50% for Board Chairperson.

During FY2023, all independent and non-executive directors attended all Board and Committee meetings.

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

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

Provision 7.3
The Group's practice is to conduct an annual salary review for all employees, including key management personnel, which is based on the individual performance as well as the company's performance. We also review and adjust the salary scale for each position in line with the market on an annual basis.

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

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

Provision 8.1
The Board supports and is keenly aware of the need for transparency. However, after careful deliberation and considerable debate, the Board is of the view that full disclosure of the specific remuneration of each executive director, the CEO and the key management personnel is not in the best interests of the Company and therefore shareholders. Inter alia, the Board took into account the very sensitive nature of the matter, the relative size of our Company, the competitive business environment we operate in and the irrevocable negative impact such disclosure may have on the Company.

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

The breakdown of the level and mix of remuneration of each Director and the key executives in FY2023 is as follows:

Remuneration of Directors

Remuneration band & name of Executive Director	Director's fee	Salary	Bonus	Allowances/ Benefits	Total
S$500,000 to S$750,000					
Christopher R. Borch (CEO)	9%	59%	31%	1%	100%
Low Ming Wah^	8%	55%	28%	9%	100%
Chow Kam Wing^^	8%	56%	30%	6%	100%
Below S$250,000					
Kyle Christopher Borch^^^	18%	49%	30%	3%	100%

^ Mr Low Ming Wah remuneration is from July 2022 up to his retirement on 30 April 2023
^^ Mr Chow Kam Wing remuneration is from July 2022 up to his retirement on 31 January 2023
^^^ Mr Kyle Borch remuneration is from 1 January 2023 to 30 June 2023

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

Remuneration of key management personnel

Remuneration band & name of key management personnel	Director's fee	Salary	Bonus	Allowances/ Benefits	Total
S$250,000 to S$500,000					
Wendy Tan Wei Lee	–	61%	29%	10%	100%
Shen Zi Quan	–	59%	32%	9%	100%
Below S$250,000					
Ng Chin Lim	–	60%	24%	16%	100%
Richie Cajili Manuel	–	71%	24%	5%	100%
Neo Say Chow	–	64%	20%	16%	100%

The aggregate remuneration paid to the top 5 key management personnel is S$1,010,755.

Provision 8.2

Mr. Kyle Borch, the eldest son of Mr. Christopher Borch (substantial shareholder and CEO) joined Micro-Mechanics, Inc (a subsidiary of the Company) on 27 August 2018 as a Manufacturing Engineer. Mr. Borch received a Bachelor of Science in Physics and Math from the University of California Los Angeles (UCLA) in 2014 and Masters degrees in Mechanical Engineering and Engineering Management from the University of Southern California in 2018. Mr. Kyle Borch held a non-managerial role with the Company's subsidiary in the USA and received total remuneration of approximately S$85,412 for the period from 1 July 2022 to 31 December 2022. Mr Kyle Borch was appointed as Executive Director with effect from 1 January 2023.

Provision 8.3

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

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

As at 30 June 2023, there were 30 employees, 2 Executive Directors, 2 Independent Non-Executive Directors and 4 of the top 5 key management personnel holding shares in the Company.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Provision 9.1

Risk Management

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

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

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

In June 2016, our Singapore plant operations was certified as conforming to the Business Continuity Management System standard ISO22301:2012. The certification was successfully re-issued as conforming to the standard in May 2023 following re-assessment.

Financial risk management is discussed in Note 20 to the financial statements set out on page 113 to page 121.

Risk Management/Sustainability Committee

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

It comprises three independent directors, one executive director and one key management personnel:

Chairperson	:	Lai Chin Yee
Member	:	Sumitri Mirnalini Menon @ Rabia
Member	:	Kenny Kwan Yew Kwong
Member	:	Kyle Christopher Borch
Member	:	Wendy Tan Wei Lee

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

– determine the Group's level of risk tolerance and risk policies

– ensure the management maintains a sound system of risk management

– recommend and review the implementation of risk management framework

– review the processes and procedures for ensuring that all material risks are properly identified and that appropriate systems of monitoring and control are in place

– review the Group's risk profiles regularly

– review breaches of risk appetite and tolerances

– review the implementation of sustainability strategy

– monitor the performance against the sustainability targets

– update the Board any regulatory change in sustainability

– review the sustainability reporting

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

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

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

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

Accountability
Provision 9.2
The Board is accountable to the shareholders while the management is accountable to the Board. The Board is mindful of its obligation to provide timely, reliable and fair disclosure of material information in compliance with the SGX-ST Listing Manual and present the financial results quarterly, half yearly and yearly to the public. The management announced the quarterly and the half yearly financial results within 30 days from the relevant financial period. The CEO and VP of Finance certify all such financial results.

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

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

The Board has received written assurances from

(a) the CEO and the VP of Finance that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances;

(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

Provision 9.2 a and 9.2b/Listing Rule 1207(10)
The Board's opinion is, with the concurrence of the AC, that there are adequate internal controls in place to address material financial, operational and compliance risks during the financial year and up to the date of this report after considering the following:

– work done and reports by the internal and external auditors given during the year;

– report by Risk Management/Sustainability Committee;

– the lack of any concern raised by a whistle blower;

– certification as conforming to the Business Continuity Management System standard ISO22301:2012; and

– assurance obtained from the CEO and VP of Finance (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances and (b) regarding the effectiveness of the company's risk management and internal control systems. Similar assurance were obtained from subsidiaries and finance heads.

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

Earthquake Damage in California – California is an earthquake prone area. The Group's factory in the USA is situated in Morgan Hill, California. The Board has ascertained that insurance deductibles on any policy obtainable to cover damage as a consequence is very high such as, as in the Board's view, to make coverage ineffective. Furthermore, the greater damage is likely to be caused by flooding in the event of a large earthquake, and this consequence is not insurable at all in this region. After due consideration, the management has decided not to insure against earthquake damage. The management has taken and shall continue to take steps to minimize potential damages and loss by employee education training programs and by proper bracing and anchoring of the contents in the plant. As at 30 June 2023, our USA operations recorded an annual revenue of S$18.5 million and had total assets of S$13.1 million.

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

Provision 10.1
Provision 10.1 (a)(b)(c)(d)(e) and (f)
The AC's written terms of reference which describe its major responsibilities are:

– to review with the external and internal auditors the audit plan and the results of the external auditor's examination and evaluation of the Group's system of internal controls;

– to review (i) the quarterly, half yearly and yearly announcement of financial results, and (ii) the consolidated financial statements, balance sheets and statements of profit & loss accounts, and the external auditor's reports on those financial statements, before submission to the Board for approval;

– to review and discuss with external and internal auditors any suspected fraud or irregularities, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position;

– to review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters and how to handle it properly including independent investigation, public announcement and internal communication with employees and related stakeholders;

– to make recommendations to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approve the remuneration and terms of engagement of the external and internal auditors;

– to review the independence of the external auditors annually including the nature and extent of non-audit services provided by the external auditors;

– to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

– to review the adequacy and effectiveness of the internal control framework and risk management processes including financial, operational, compliance and information technology controls and help ensure adequate measures are in place;

– to review the compliance with the Code of Best Practice on Security Transactions;

– to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual;

– to review the scope of the work of the internal auditor and to review with the internal auditor the audit plan and the results of the internal auditor's examination and evaluation of the Group's system of internal controls;

– to review the assurance from CEO and the VP Finance on the financial records and financial statements; and

– to review the corporate governance processes.

The AC has reviewed the non-audit services performed by the external auditors and is satisfied that the provision of such services has not affected the independence of the external auditors. The AC has recommended their re-appointment at the forthcoming AGM. The aggregate amount of fees paid to the external auditors for the year is S$217k and the non-audit services fee is S$18k.

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

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

Provision 10.2
The Audit Committee ("**AC**") comprises three members, all of whom are independent and non-executive Directors.

Chairperson	:	Lai Chin Yee
Member	:	Sumitri Mirnalini Menon @ Rabia
Member	:	Kenny Kwan Yew Kwong

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

Whistle Blowing Policy

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

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

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

The policy covers all and any improprieties and wrongdoings:

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

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

Protecting the whistle blower:

(a) The Whistle-blowing Officer, whom the whistle blower has approached, will keep the whistle blower's identity and position and any other aspects of how the matter came to the Officer's attention strictly confidential. If the Officer is required to reveal the same by law, the Officer shall do so only after giving the whistle blower due notice and the AC and/or the Board shall do its utmost to protect from and assist the whistle blower with any consequences that the whistle-blower fears may result from such disclosure.

(b) Any investigations which must be made and the outcome shall be dealt discreetly and made known only to such persons and to the extent needed to deal effectively with the whistle blower's complaint.

Anonymous allegations:

(a) Since the Company will protect the whistle blower, the Company shall encourage any whistle blower to provide the whistle-blowers identity when making an allegation as this shall assist with a rapid and effective investigation.

(b) Even if the whistle blower declines to do so, our Whistle-blowing Officer will seriously consider the matters raised. However, the fact that the complaint has been made anonymously will be taken into account in evaluating its merits.

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

Provision 10.3
It is the Company's practice not to appoint any former/current partner or director of the Company's existing internal or external auditing firm acting as Board member or any Committee member to ensure independence and objectivity.

Provision 10.4 and 10.5
In the financial year under review, the AC met with the external auditor and internal auditor without the presence of executive directors and senior management. All AC meetings were run without the presence of executive directors and senior management unless invited by the AC to attend for any particular reason.

Provision 10.4
The internal auditor reports directly to the AC.

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

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

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

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

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

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

Provision 11.1
During the Company's Annual General Meeting ("**AGM**"), it is our practice for the Chairperson to read the rules, including voting procedures that govern the AGM, so that the shareholders can participate in and vote effectively.

Provision 11.2
All resolutions tabled at the AGM are voted by Poll, counted and validated by an independent scrutineer. The Board ensures that there should be a separate resolution at general meetings on each substantially separate issue unless there are sufficient and weighty reasons that this should not be done and will provide reasons and material implications where resolutions are interlinked.

Provision 11.3
At AGMs, the CEO, Deputy CEO and VP of Finance will conduct a presentation on the Company's developments, financial results, outlook and strategy to provide shareholders with updates on the Company's progress. Shareholders also have the opportunity to share with and communicate their views to the Board. The Chairpersons of the Audit, Nominating, Remuneration Committees and Risk Management/Sustainability Committee as well as the external auditors are requested to be present and available to address any queries by shareholders.

Provision 11.4

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

Provision 11.5

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

Provision 11.6

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

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

Engagement with Shareholders

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

Provision 12.1

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

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

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

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

Provision 12.2 and 12.3

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

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

Investor Relations Practices and Guidelines

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

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

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

The Company conducts its IR on the following principles:

– Operate an open-door policy with regard to investor/analyst enquiries which should be responded to within three working days;

– Management and IR team are accessible to requests for one-on-one meetings and conference calls with investors and analysts;

– Information deemed to be price-sensitive is disseminated without delay via announcements and/or press releases on SGXNET;

– Discuss only publicly-available and publicly known information during dialogues with investors and analysts, principally following announcements of financial results;

– Maintain a blackout period prior to the planned release of financial statements during which no meetings and presentations will be held with analysts or investors. The blackout period is two weeks for quarterly financial results and one month for the half yearly/full-year financial results;

– Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions;

– Announce the date of release of quarterly financial reports at least a week in advance;

– Allocate sufficient time to address queries of shareholders outside the formal business of the AGM.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

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

Provision 13.1

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

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

Provision 13.2

Customers

Focusing on the needs of customers is a critical success factor for our business. We have about 600 customers worldwide. Our top 10 customers are mainly in the USA, China and Malaysia. The revenue in the three regions accounted for 67% of the Group's revenue in FY2023. The majority of our customers have been working with the Group for more than 10 years. We have implemented Customer Relationship Management (CRM) embedded in our ERP system to help us interact with our customers. Our sales team and R&D team make regular visits to our customers to provide technical solutions and provide updates on our latest capabilities. Despite the COVID-19 pandemic, we remain in regular communication with customers via virtual conference. Every year, we carry out a Customer Satisfaction Survey to have a better understanding of their needs. We participate in trade shows and exhibitions relating to our industry to showcase our latest products and services to both our existing and prospective customers.

Employees

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

We are committed to providing our employees with opportunities to develop their potential through relevant training programs. The focus of such training programs is skills-upgrading and education in areas directly related to an employee's present work and/or future development. During FY2023, about 301 confirmed employees received formal and structured training of 2,391 hours, excluding on-the-job training, which is approximately 5.6 hours per employee. In the previous year, training provided amounted to 4,448 hours. Our target is to provide 12 training hours per employee.

Suppliers

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

Shareholders

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

Regulators

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

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

– BCM22301:2012 Societal Security-Business Continuity Management System

– ISO37001:2016 Anti-Bribery Management System

– Data Protection Trustmark

– International Traffic in Arms Regulation

Local Communities

We work to build positive relationships with the communities in which we operate. We support local communities by employing locals as a preference wherever feasible. Only locals are employed in our operation in USA, the Philippines and China. In addition, we have initiated participation in some social and charitable activities with some local communities.

During FY2023, our Singapore subsidiary had made cash donations to the Childrens Cancer Foundation while our subsidiaries in Malaysia and the Philippines distributed groceries to the needy.

Provision 13.3

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

Please refer to our Sustainability Report regarding engagement with stakeholders.

Other matters:

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

In June 2019, our Singapore plant operations was successfully certified as conforming to the Anti-Bribery Management System standard ISO37001:2016. In June 2023, our Singapore plant operations was successfully re-assessed as conforming to the Anti-Bribery Management System standard ISO37001:2016.

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

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

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

For the financial year ended 30 June 2023, the Group has made rental payment of US$434,000 (30 June 2022: US$422,000) and solar-generated electrical services payment of US$169,634 (30 June 2022: US$160,152) to Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

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

CORPORATE GOVERNANCE

List of Certifications:

	Name of certification	Validity until
MM-Singapore	ISO9001-2015 Quality Management System	2-Dec-24
	BCM22301:2012 Societal Security-Business Continuity Management System	16-May-25
	ISO37001:2016 Anti-Bribery Management System	27-Jun-25
	Data Protection Trustmark	2-Sept-25
	bizSafe Level 3	28-Dec-25
MM-Malaysia	ISO9001-2015 Quality Management System	31-Oct-25
MM- Philippines	ISO9001-2015 Quality Management System	14-Jan-25
MM- China	ISO9001-2015 Quality Management System	7-Apr-24
MM-USA	AS9100 Quality Management System for aviation, space and defense organization	21-Nov-25
	International Traffic in Arms Regulation	31-Jul-24

DIRECTORS' STATEMENT

Year ended 30 June 2023

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2023.

In our opinion:

(a) the financial statements set out on pages 73 to 125 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2023 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Directors

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

Christopher Reid Borch	
Sumitri Mirnalini Menon @ Rabia	
Lai Chin Yee	
Kwan Yew Kwong, Kenny	
Kyle Christopher Borch	(Appointed on 1 January 2023)

Directors' interests

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

Name of director in which interests are held	At beginning of the year/date of appointment	At end of the year	At 21 July 2023
Ordinary shares			
Christopher Reid Borch	66,485,169	63,985,169	63,985,169
Sumitri Mirnalini Menon @ Rabia	300,000	300,000	300,000
Lai Chin Yee	20,000	20,000	20,000
Kwan Yew Kwong, Kenny	–	–	–
Kyle Christopher Borch	38,535,256	40,785,256	40,785,256

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

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

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

Share options

During the financial year, there were:

(a) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(b) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

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

Audit Committee

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

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

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

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

The Audit Committee also reviewed the following:

- the scope and results of the work of the internal auditor;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
- the assistance provided by the Company's officers to the external auditors and the independence of the external auditors; and
- corporate governance processes.

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

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

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

Auditors

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

On behalf of the Board of Directors

Christopher Reid Borch
Director

Kyle Christopher Borch
Director

28 August 2023

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Micro-Mechanics (Holdings) Ltd. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 73 to 125.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2023, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

(Refer to note 4 to the financial statements)

The key audit matter

The Group has PPE and ROU assets with a net book value of $27.6 million (2022: $30.2 million).

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

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

How the matter was addressed in our audit

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

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

Findings

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

Other information

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

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 August 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2023

	Note	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Assets					
Property, plant and equipment	4	25,445,458	28,607,303	–	–
Right-of-use assets	4	2,119,176	1,545,399	–	–
Investment property	5	280,958	320,749	–	–
Subsidiaries	6	–	–	29,095,544	29,095,544
Trade and other receivables	8	488,744	759,841	–	–
Deferred tax asset	12	22,072	26,405	–	–
Non-current assets		28,356,408	31,259,697	29,095,544	29,095,544
Inventories	7	4,323,055	5,697,010	–	–
Trade and other receivables	8	11,244,667	16,366,632	1,546,791	1,737,965
Cash and cash equivalents	9	14,266,863	20,368,243	2,326,039	8,710,763
Current assets		29,834,585	42,431,885	3,872,830	10,448,728
Total assets		58,190,993	73,691,582	32,968,374	39,544,272
Shareholders' equity					
Share capital	10	14,782,931	14,782,931	14,782,931	14,782,931
Reserves	11	31,659,119	43,521,956	17,467,364	24,020,106
Total equity		46,442,050	58,304,887	32,250,295	38,803,037
Liabilities					
Deferred tax liabilities	12	1,591,500	1,483,035	206,203	227,815
Trade and other payables	13	1,040,675	755,544	–	–
Lease liabilities	14	1,012,723	657,932	–	–
Non-current liabilities		3,644,898	2,896,511	206,203	227,815
Trade and other payables	13	5,908,553	8,867,019	509,459	513,420
Lease liabilities	14	1,183,468	951,533	–	–
Current tax payable		1,012,024	2,671,632	2,417	–
Current liabilities		8,104,045	12,490,184	511,876	513,420
Total liabilities		11,748,943	15,386,695	718,079	741,235
Total equity and liabilities		58,190,993	73,691,582	32,968,374	39,544,272

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2023

	Note	2023	2022
		$	$
Revenue	15	67,021,993	82,464,765
Cost of sales		(35,832,351)	(38,423,964)
Gross profit		31,189,642	44,040,801
Other income		685,067	861,985
Distribution costs		(2,879,823)	(3,144,905)
Administrative expenses		(10,200,660)	(10,918,337)
Other operating expenses		(5,165,430)	(4,685,944)
Profit before tax	16	13,628,796	26,153,600
Tax expense	17	(3,858,316)	(6,347,049)
Profit for the year		9,770,480	19,806,551
Attributable to:			
Owners of the Company		9,770,480	19,806,551
Profit for the year		9,770,480	19,806,551
Earnings per share (in cents) – basic and diluted	18	7.03	14.25
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		(2,150,256)	(125,313)
Item that will not be reclassified to profit or loss:			
Remeasurement income on retirement benefits	13	(19,220)	126,549
Related tax	12	622	(4,138)
Total comprehensive income for the year		7,601,626	19,803,649
Total comprehensive income attributable to:			
Owners of the Company		7,601,626	19,803,649
Total comprehensive income for the year		7,601,626	19,803,649

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2023

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2023

	Share capital $	Foreign currency translation reserve $	Accumulated remeasurement on retirement benefits $	Accumulated profits $	Total $
At 1 July 2022	14,782,931	144,547	27,959	43,349,450	58,304,887
Total comprehensive income for the year					
Profit for the year	–	–	–	9,770,480	9,770,480
Other comprehensive income					
Foreign currency translation differences	–	(2,149,301)	(955)	–	(2,150,256)
Remeasurement expense on retirement benefits, net of tax	–	–	(18,598)	–	(18,598)
Total other comprehensive income	–	(2,149,301)	(19,553)	–	(2,168,854)
Total comprehensive income for the year	–	(2,149,301)	(19,553)	9,770,480	7,601,626
Transactions with owners of the Company, recognised directly in equity					
Interim dividend of 6.0 cents per share (tax-exempt) in respect of 2023	–	–	–	(8,341,913)	(8,341,913)
Final dividend of 8.0 cents per share (tax-exempt) in respect of 2022	–	–	–	(11,122,550)	(11,122,550)
Total transactions with owners of the Company	–	–	–	(19,464,463)	(19,464,463)
At 30 June 2023	14,782,931	(2,004,754)	8,406	33,655,467	46,442,050

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Profit for the year		9,770,480	19,806,551
Adjustments for:			
Depreciation of property, plant and equipment		6,704,279	7,106,942
Depreciation of investment property		13,785	14,031
Property, plant and equipment written off		14,908	11,102
Gain on disposal of property, plant and equipment		(74,832)	(251,525)
Interest income		(169,325)	(68,210)
Interest expense on lease liabilities		95,866	90,948
Tax expense		3,858,316	6,347,049
		20,213,477	33,056,888
Changes:			
Inventories		1,057,156	(515,496)
Trade and other receivables		4,545,302	(3,199,774)
Trade and other payables		(2,852,478)	1,150,666
Cash generated from operations		22,963,457	30,492,284
Income tax paid		(5,263,679)	(5,269,943)
Net cash from operating activities		17,699,778	25,222,341
Cash flows from investing activities			
Payment of property, plant and equipment and investment property		(3,335,905)	(4,905,044)
Proceeds from disposal of property, plant and equipment		754,125	333,013
Interest received		157,977	57,023
Net cash used in investing activities		(2,423,803)	(4,515,008)
Cash flows from financing activities			
Payment of lease liabilities		(1,216,094)	(1,196,113)
Interest paid		(95,866)	(90,948)
Dividends paid		(19,464,463)	(19,464,463)
Net cash used in financing activities		(20,776,423)	(20,751,524)
Net decrease in cash and cash equivalents		(5,500,448)	(44,191)
Cash and cash equivalents at 1 July		20,210,293	20,449,978
Effect of exchange rate fluctuations		(587,832)	(195,494)
Cash and cash equivalents at 30 June	9	14,122,013	20,210,293

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 August 2023.

1 DOMICILE AND ACTIVITIES

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

The financial statements of the Group as at and for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

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

Impairment on non-financial assets

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

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

Note 4 – valuation of property, plant and equipment
Note 6 – valuation of investments in subsidiaries

2.5 Changes in accounting policies

New standards and amendments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Subsidiaries

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

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

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

Transactions eliminated on consolidation

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

3.2 Foreign currency

Foreign currency transactions

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency (continued)

Foreign operations

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

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

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

3.3 Property, plant and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment (continued)

Depreciation

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

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

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

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

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

Reclassification to investment property

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

3.4 Leases

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Leases (continued)

Recognition and measurement

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

Depreciation

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

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

Lease liability

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Leases (continued)

Short term leases and leases of low-value assets

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

3.5 Investment property

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

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

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

3.6 Inventories

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

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

3.7 Financial instruments

Non-derivative financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments (continued)

Non-derivative financial assets (continued)

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

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

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

Financial assets at amortised cost

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

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

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

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

Cash and cash equivalents comprise cash balances and bank deposits.

Financial assets: Business model assessment

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments (continued)

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

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

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

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

Non-derivative financial liabilities

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

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

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

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

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

Offsetting

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

Share capital

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments (continued)

Derivative financial instruments

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

Non-trading derivatives

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

3.8 Impairment

Non-derivative financial assets

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

Financial assets at amortised cost

Loss allowances are measured on either of the following bases:

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

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

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

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

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

Credit impaired financial assets

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment (continued)

Non-financial assets

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

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

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

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

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

3.9 Employee benefits

Defined contribution plans

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

Defined benefit plans

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Employee benefits (continued)

Defined benefit plans (continued)

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

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

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

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

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

Unconsumed leave

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

Short-term benefits

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

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as administrative expenses.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Income tax expense

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

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Revenue

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

3.13 Interest income and interest expense

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

3.14 Dividend income

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

3.15 Rental income

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

3.16 Government grants

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

3.17 Earnings per share

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

3.18 Segment reporting

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 New standards and amendments not adopted

A number of new standards and amendments to standards are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 23.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties $	Plant and equipment $	Assets under construction $	Furniture, fittings and office equipment $	Motor vehicles $	Total $
Group						
Cost						
At 1 July 2021	16,496,172	64,583,981	290,994	7,295,132	839,468	89,505,747
Additions	343,105	3,451,591	137,487	311,109	932,885	5,176,177
Disposals/Write-off	–	(605,248)	–	(192,637)	(681,101)	(1,478,986)
Reclassification	–	217,613	(217,613)	–	–	–
Transfer to investment property	(50,904)	(82,803)	–	(85,547)	–	(219,254)
Derecognition due to expiry of lease	(369,806)	–	–	–	–	(369,806)
Translation differences on consolidation	(43,717)	(84,478)	(2,138)	(75,261)	554	(205,040)
At 30 June 2022	16,374,850	67,480,656	208,730	7,252,796	1,091,806	92,408,838
At 1 July 2022	16,374,850	67,480,656	208,730	7,252,796	1,091,806	92,408,838
Additions	2,194,766	2,880,892	56,849	666,381	20,970	5,819,858
Disposals/Write-off	–	(1,756,297)	–	(1,103,118)	(927,282)	(3,786,697)
Reclassification	–	–	(208,731)	208,731	–	–
Derecognition due to expiry of lease	(505,261)	–	–	–	–	(505,261)
Translation differences on consolidation	(366,660)	(2,638,291)	(17)	(283,897)	(11,255)	(3,300,120)
At 30 June 2023	17,697,695	65,966,960	56,831	6,740,893	174,239	90,636,618
Accumulated depreciation and impairment loss						
At 1 July 2021	8,565,332	41,754,065	–	6,459,492	598,243	57,377,132
Charge for the year	1,564,265	5,014,776	–	345,485	182,416	7,106,942
Disposals/Write-off	–	(573,463)	–	(192,609)	(620,324)	(1,386,396)
Transfer to investment property	(50,900)	(82,801)	–	(85,546)	–	(219,247)
Derecognition due to expiry of lease	(369,806)	–	–	–	–	(369,806)
Translation differences on consolidation	(47,029)	(135,130)	–	(70,439)	109	(252,489)
At 30 June 2022	9,661,862	45,977,447	–	6,456,383	160,444	62,256,136
At 1 July 2022	9,661,862	45,977,447	–	6,456,383	160,444	62,256,136
Charge for the year	1,552,837	4,552,621	–	388,378	210,443	6,704,279
Disposals/Write-off	–	(1,726,541)	–	(1,103,044)	(262,911)	(3,092,496)
Derecognition due to expiry of lease	(505,261)	–	–	–	–	(505,261)
Translation differences on consolidation	(207,259)	(1,836,114)	–	(238,520)	(8,781)	(2,290,674)
At 30 June 2023	10,502,179	46,967,413	–	5,503,197	99,195	63,071,984
Carrying amounts						
At 1 July 2021	7,930,840	22,829,916	290,994	835,640	241,225	32,128,615
At 30 June 2022	6,712,988	21,503,209	208,730	796,413	931,362	30,152,702
At 30 June 2023	7,195,516	18,999,547	56,831	1,237,696	75,044	27,564,634

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment comprise owned and leased assets.

The Group leases factory buildings with a contract term of two to three years.

	2023 $	2022 $
Property, plant and equipment – owned	25,445,458	28,607,303
Right-of-use assets	2,119,176	1,545,399
	27,564,634	30,152,702

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

	Group Leasehold properties $
Cost	
At 1 July 2021	3,952,453
Additions	283,087
Derecognition due to expiry of lease	(369,806)
Translation differences on consolidation	9,688
At 30 June 2022	3,875,422
At 1 July 2022	3,875,422
Additions	1,864,252
Derecognition due to expiry of lease	(505,261)
Translation differences on consolidation	(107,518)
At 30 June 2023	5,126,895
Accumulated depreciation	
At 1 July 2021	1,490,742
Charge for the year	1,228,934
Derecognition due to expiry of lease	(369,806)
Translation differences on consolidation	(19,847)
At 30 June 2022	2,330,023
At 1 July 2022	2,330,023
Charge for the year	1,231,123
Derecognition due to expiry of lease	(505,261)
Translation differences on consolidation	(48,166)
At 30 June 2023	3,007,719
Carrying amounts	
At 1 July 2021	2,461,711
At 30 June 2022	1,545,399
At 30 June 2023	2,119,176

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation of property, plant and equipment

During the year, the Company carried out a review of the recoverable amount of MMUS's property, plant and equipment as it was in loss-making position in the past few years. The recoverable amount was determined based on value in use method. As a result of the review, no impairment loss was recognised in profit or loss during the year (and in 2022).

5 INVESTMENT PROPERTY

	Note	Group $
Cost		
At 1 July 2021		617,158
Transfer	4	219,254
Additions		11,954
Disposal		(1,071)
Translation differences on consolidation		(18,576)
At 30 June 2022		828,719
Translation differences on consolidation		(68,733)
At 30 June 2023		759,986
Accumulated depreciation		
At 1 July 2021		286,505
Transfer	4	219,247
Charge for the year		14,031
Disposal		(1,071)
Translation differences on consolidation		(10,742)
At 30 June 2022		507,970
Charge for the year		13,785
Translation differences on consolidation		(42,727)
At 30 June 2023		479,028
Carrying amounts		
At 1 July 2021		330,653
At 30 June 2022		320,749
At 30 June 2023		280,958

The fair value of the investment property as at 30 June 2023 is $2,897,000 (2022: $3,159,000) (categorised under level 3 of the fair value hierarchy: unobservable inputs used in estimating the fair value of the investment property).

5 INVESTMENT PROPERTY (continued)

Valuation of investment property

In 2023, the fair value of investment property was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair value of the Group's investment property annually.

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

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

The following items have been recorded in profit or loss:

	Group	
	2023	**2022**
	$	**$**
Rental income	129,847	121,464
Direct operating expenses	(17,193)	(13,790)

All leases are classified as operating leases from a lessor perspective because they do not transfer substantially all risks and rewards incidental of the ownership of the assets.

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

	Group	
	2023	**2022**
	$	**$**
Less than one year	125,568	9,951
One to two years	10,464	–
Total	136,032	9,951

6 SUBSIDIARIES

	Company 2023	Company 2022
	$	$
Investments in subsidiaries, at cost	35,527,955	35,527,955
Impairment losses	(6,432,411)	(6,432,411)
	29,095,544	29,095,544

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

Name of subsidiary	Principal activities	Place of incorporation and business	Percentage of equity held by the Group 2023	Percentage of equity held by the Group 2022	Cost 2023	Cost 2022
			%	%	$	$
Micro-Mechanics Pte Ltd[1]	Manufacturing of precision tools	Singapore	100	100	5,463,500	5,463,500
Micro-Mechanics Technology Sdn Bhd[2]	Manufacturing of precision tools	Malaysia	100	100	856,875	856,875
Micro-Mechanics Technology International, Inc.[3]	Manufacturing of precision tools	The Philippines	100	100	347,200	347,200
Micro-Mechanics Technology (Suzhou) Co. Ltd[2]	Manufacturing of precision tools	People's Republic of China	100	100	2,544,407	2,544,407
Micro-Mechanics Inc.[4]	Manufacturing of precision components and modules and sale of precision tools	United States of America	100	100	26,315,973	26,315,973
					35,527,955	35,527,955

1 Audited by KPMG LLP, Singapore.
2 Audited by other member firms of KPMG International.
3 Audited by Roxas Cruz Tagle and Co.
4 Audited by Fiondella, Milone & LaSaracina LLP.

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

6 **SUBSIDIARIES** (continued)

During the year, the Company carried out a review of the recoverable amount of its investment in MMUS as it was in loss-making position in the past few years. The recoverable amount was determined based on value in use method using a discount rate of 13.17% (2022: 11.25%). As a result of the review, no additional impairment loss was recognised in profit or loss during the year (and in 2022).

7 **INVENTORIES**

	Group	
	2023	**2022**
	$	**$**
Raw materials	1,151,915	1,787,778
Work-in-progress	1,412,566	1,796,751
Finished goods	1,758,574	2,112,481
	4,323,055	5,697,010

In 2023, raw materials and changes in finished goods and work-in-progress recognised in cost of sales amounted to $24,874,750 (2022: $28,033,507).

Valuation of inventories

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

8 **TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Trade receivables	10,643,097	15,613,437	–	–
Other receivables	19,764	51,263	–	641
Deposits	409,694	404,295	–	–
Amount owing by subsidiaries (non-trade)	–	–	1,533,843	1,724,349
Financial assets at amortised cost	11,072,555	16,068,995	1,533,843	1,724,990
Advances to suppliers	107,228	385,113	–	–
Prepayments	505,126	672,093	12,948	12,975
GST receivables	44,102	–	–	–
Forward exchange contracts	4,400	272	–	–
Trade and other receivables	11,733,411	17,126,473	1,546,791	1,737,965
Non-current	488,744	759,841	–	–
Current	11,244,667	16,366,632	1,546,791	1,737,965
	11,733,411	17,126,473	1,546,791	1,737,965

8 TRADE AND OTHER RECEIVABLES (continued)

The Group's non-current trade and other receivables of $488,744 (2022: $759,841) was due to advance payment made to suppliers to purchase plant and equipment and security deposits.

Amounts due from subsidiaries (non-trade)

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

9 CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Cash at banks and on hand	11,597,211	8,929,233	2,326,039	710,763
Fixed deposits	2,669,652	11,439,010	–	8,000,000
	14,266,863	20,368,243	2,326,039	8,710,763
Deposits pledged	(144,850)	(157,950)		
Cash and cash equivalents in the statement of cash flows	14,122,013	20,210,293		

The deposits pledged are pertaining to banker's guarantees issued by a subsidiary in Malaysia.

10 SHARE CAPITAL

	2023		2022	
Group and Company	**No. of shares**	**$**	**No. of shares**	**$**
Fully paid ordinary shares, with no par value				
As at 1 July and 30 June	139,031,881	14,782,931	139,031,881	14,782,931

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

Capital management

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

The Group defines capital as share capital and accumulated profits.

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

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

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

10 SHARE CAPITAL (continued)

Dividends

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

For the year ended 30 June

	Group and Company	
	2023	**2022**
	$	**$**
Final tax-exempt dividend paid of 8.0 cents (2022: 8.0 cents) per share in respect of previous financial year	11,122,550	11,122,550
Interim tax-exempt dividend paid of 6.0 cents (2022: 6.0 cents) per share in respect of current financial year	8,341,913	8,341,913
	19,464,463	19,464,463

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

	Group and Company	
	2023	**2022**
	$	**$**
Final proposed tax-exempt dividend of 3.0 cents (2022: 8.0 cents) per share	4,170,955	11,122,550

11 RESERVES

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Accumulated profits	33,655,467	43,349,450	17,467,364	24,020,106
Foreign currency translation reserve	(2,004,754)	144,547	–	–
Accumulated remeasurement on retirement benefits	8,406	27,959	–	–
	31,659,119	43,521,956	17,467,364	24,020,106

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

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

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

Included within accumulated profits is a statutory surplus reserve amounting to $1,162,717 (2022: $1,282,736).

12 DEFERRED TAX LIABILITIES

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

	At 1 July 2021 $	Recognised in profit or loss (note 17) $	Recognised in other comprehensive income $	Exchange differences $	At 30 June 2022 $	Recognised in profit or loss (note 17) $	Recognised in other comprehensive income $	Exchange differences $	At 30 June 2023 $
Group									
Deferred tax (assets)/ liabilities									
Property, plant and equipment	1,417,496	163,553	–	(30,401)	1,550,648	154,842	–	(39,017)	1,666,473
Others	(70,808)	(28,614)	4,138	1,266	(94,018)	(2,775)	(622)	370	(97,045)
	1,346,688	134,939	4,138	(29,135)	1,456,630	152,067	(622)	(38,647)	1,569,428

During the year, the Company's deferred tax credit of $28,606 (2022: deferred tax expense of $24,214) for temporary differences related to investments in subsidiaries was recognised in profit or loss.

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

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Deferred tax liabilities	1,591,500	1,483,035	206,203	227,815
Deferred tax assets	(22,072)	(26,405)	–	–
Net deferred tax liabilities	1,569,428	1,456,630	206,203	227,815

13 TRADE AND OTHER PAYABLES

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Trade payables	726,583	1,546,960	–	–
Other payables	1,442,220	1,595,642	31,182	30,205
Accrued expenses	4,181,771	5,883,947	478,277	483,215
Advances from customers	75,661	132,582	–	–
Forward exchange contracts	38,595	41,234	–	–
Provision for retirement benefits	484,398	422,198	–	–
	6,949,228	9,622,563	509,459	513,420
Non-current	1,040,675	755,544	–	–
Current	5,908,553	8,867,019	509,459	513,420
	6,949,228	9,622,563	509,459	513,420

Included in other payables is an amount relating the purchase of property, plant and equipment of $659,681 (2022: $224,770).

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Year ended 30 June 2023

13 TRADE AND OTHER PAYABLES (continued)

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

Group	Reinstatement costs $
At 1 July 2021	210,163
Unwind of discount on reinstatement costs	11,855
At 30 June 2022	222,018
At 1 July 2022	222,018
Unwind of discount on reinstatement costs	13,585
Reclassification	91,488
At 30 June 2023	327,091

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

The Group's non-current trade and other payables also include the provision for retirement benefits for employees of $484,398 (2022: $422,198).

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

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

Provision for retirement benefits

The Group has an unfunded, non-contributory defined benefits retirement plan covering its permanent employees. Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is 30 June 2023.

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

	Group 2023 $	Group 2022 $
At 1 July	422,198	524,185
Included in profit or loss		
Current service cost	28,237	38,802
Interest cost	26,276	25,100
	54,513	63,902
Included in other comprehensive income		
Remeasurements arising from:		
Experience adjustment	16,341	(103,480)
Changes in demographic assumptions	–	(778)
Change in financial assumptions	2,879	(22,291)
	19,220	(126,549)
Exchange difference	(11,533)	(39,340)
At 30 June	484,398	422,198

13 TRADE AND OTHER PAYABLES (continued)

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

	Group	
	2023	2022
	%	%
Discount rate	6.19	6.46
Salary increase rate	5.00	5.00

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

The weighted-average duration of the retirement benefits obligation is 13.0 years (2022: 13.8 years).

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

Funding Policy
Benefit claims under the retirement benefits obligation are paid directly by the Group when they become due. The Group is not expected to make contributions in 2023.

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

	Group			
	2023		2022	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	$	$	$	$
Discount rate	(57,395)	68,254	(52,913)	63,255
Salary increase rate	68,387	(58,502)	61,942	(54,056)

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

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

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

14 LEASE LIABILITIES

	2023 $	2022 $
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1,265,154	1,001,935
One to two years	717,787	728,454
Two to three years	335,230	–
Total undiscounted lease liabilities	2,318,171	1,730,389
Lease liabilities included in the statement of financial position		
– Current	1,183,468	951,533
– Non-current	1,012,723	657,932
	2,196,191	1,609,465

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

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

	$
At 1 July 2021	2,492,577
Changes from financing cash flows	
Payment of lease liabilities	(1,196,113)
Interest paid	(90,948)
Total changes from financing cash flows	(1,287,061)
Other changes	
Addition of lease liabilities	283,087
Interest expense on lease liabilities	90,948
Total other changes	374,035
Translation difference on consolidation	29,914
At 30 June 2022	1,609,465
At 1 July 2022	1,609,465
Changes from financing cash flows	
Payment of lease liabilities	(1,216,094)
Interest paid	(95,866)
Total changes from financing cash flows	(1,311,960)
Other changes	
Addition of lease liabilities	1,864,252
Interest expense on lease liabilities	95,866
Total other changes	1,960,118
Translation difference on consolidation	(61,432)
At 30 June 2023	2,196,191

15 REVENUE

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

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

16 PROFIT BEFORE TAX

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

	Group	
	2023	**2022**
	$	**$**
Other income:		
– Exchange gain (net)	–	57,018
– Interest income	169,325	68,210
– Gain on disposal of property, plant and equipment	74,832	251,525
– Government grants	53,065	76,774
– Rental income	129,847	121,464
– Others	257,998	286,994
	685,067	861,985
Staff costs:		
– Wages and salaries	22,905,446	24,330,067
– Contribution to defined contribution plans	2,497,206	2,671,657
– Employee benefit expense	54,513	63,902
	25,457,165	27,065,626
Interest on lease liabilities	95,866	90,948
Exchange loss (net)	130,684	–
Expenses relating to short term leases	6,097	4,861
Expenses related to leases of low value assets, excluding short term leases of low value assets	4,182	7,460
Audit fees:		
– auditors of the Company	169,000	137,400
– other member firms of the auditors of the Company	47,517	45,024
– other auditors	70,597	69,881
Non-audit fees:		
– auditors of the Company	14,600	16,400
– other member firms of the auditors of the Company	3,179	3,374
– other auditors	12,965	12,925
Depreciation of property, plant and equipment	6,704,279	7,106,942
Depreciation of investment property	13,785	14,031
Directors' remuneration:		
– directors of the Company	2,130,165	3,255,000
– other directors	375,502	246,474
Inventories written off	75,843	141,135
Trade receivables written off	141	–
Property, plant and equipment written off	14,908	11,102

17 TAX EXPENSE

	Group 2023 $	Group 2022 $
Tax charge		
Current year	3,756,329	6,232,475
Over provision in prior years	(50,080)	(20,365)
	3,706,249	6,212,110
Deferred tax		
Origination and reversal of temporary differences	160,020	110,020
(Over)/Under provision in prior years	(7,953)	24,919
	152,067	134,939
Total tax expenses	3,858,316	6,347,049
Reconciliation of effective tax rate		
Profit before tax	13,628,796	26,153,600
Income tax calculated using the statutory tax rate of 17% (2022: 17%)	2,316,895	4,446,112
Non-deductible expenses	292,990	216,318
Income not subjected to tax	(20,991)	(115,430)
Effect of tax incentives granted	(10,067)	(71,024)
Current-year loses for which no deferred tax asset is recognised	184,127	–
Effect of tax rate in foreign jurisdictions	671,466	1,217,611
Withholding tax paid in foreign jurisdictions	489,224	661,110
(Over)/Under provision in prior years	(58,033)	4,554
Others	(7,295)	(12,202)
	3,858,316	6,347,049

During the year, Micro-Mechanics Inc. recorded a loss before tax of US$1,083,100 (2022: US$44,501). The tax losses brought forward are subject to agreement with the tax authorities and compliance with tax regulations in the jurisdiction in which the subsidiary operate. Cumulative deferred tax assets with respect to taxable losses of US$9,807,865 (2022: US$8,724,765) have not been recognised because it is not probable that future taxable profit will be available against which Micro-Mechanics Inc. can utilise the benefits.

Effective from 14 February 2022 as stipulated in the Franchise Tax Board by State of California, the unutilised tax losses carry-forwards beginning before 1 January 2018 will only be available for carry forward up to a period of 20 consecutive years. For unutilised tax losses beginning after 31 December 2017, the unutilised tax losses carry-forwards generally are limited to 80% of taxable income available indefinitely for offsetting against future taxable profits.

18 EARNINGS PER SHARE

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

	Group	
	2023	2022
	$	$
Net profit for the year	9,770,480	19,806,551
Number of shares outstanding during the year	139,031,881	139,031,881

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

19 RELATED PARTIES

Key management personnel compensation

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

	Group	
	2023	2022
	$	$
Short-term benefits of key management personnel	2,980,350	4,151,724
Defined contribution and defined benefit plans	87,451	87,201

Key management personnel and director transactions

The Group has an agreement with Sarcadia LLC, a shareholder of the Company and a company which is controlled by Christopher Reid Borch, a director of the Company, for the lease of a premise which is used as the office of Micro-Mechanics, Inc. The Group entered into an additional agreement with Sarcadia LLC in 2019 for the provision of electrical services. During the year, the Group made lease payments of $592,316 (2022: $571,400) and electrical services payments of $231,145 (2022: $217,884) to Sarcadia LLC. As at 30 June 2023, the amount of lease liability recognised for the lease of building is $493,790 (2022: $1,078,828). The balance is not secured and is payable under normal payment terms. Subsequent to the year end, the Group has modified and extended the lease agreement with Sarcadia LLC for a period of two years with an additional lease liability of $899,473.

20 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

20 FINANCIAL RISK MANAGEMENT (continued)

Risk management framework

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

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

Credit risk

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

Financial assets at amortised cost

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

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

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

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
Distributors	182,913	259,863	–	–
Direct customers	10,460,184	15,366,739	–	–
Subsidiaries	–	–	1,533,843	1,724,349
Others	19,764	38,098	–	641
	10,662,861	15,664,700	1,533,843	1,724,990

20 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Financial assets at amortised cost (continued)

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

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
Singapore	881,721	1,831,989	–	641
Malaysia	1,905,079	2,786,731	–	–
Philippines	547,055	743,767	1,533,843	1,724,349
Thailand	149,912	237,808	–	–
USA	1,751,838	2,701,439	–	–
Europe	408,184	448,206	–	–
China	4,167,575	5,876,227	–	–
Japan	144,797	173,434	–	–
Taiwan	670,477	787,460	–	–
Others	36,223	77,639	–	–
	10,662,861	15,664,700	1,533,843	1,724,990

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

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
Current	8,425,602	12,733,694	1,395,320	1,589,617
Past due 1 – 30 days	1,810,298	2,443,286	–	–
Past due 31 – 60 days	287,123	398,000	–	–
More than 60 days	139,838	89,720	138,523	135,373
	10,662,861	15,664,700	1,533,843	1,724,990

Liquidity risk

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

The Group maintains the following line of credit:

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

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

20 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 2 to 5 years $
Group				
30 June 2023				
Non-derivative financial liabilities				
Trade and other payables*	(2,825,108)	(2,825,108)	(2,615,192)	(209,916)
Derivative financial instruments				
Forward exchange contracts – liabilities	(34,195)			
– Gross payments		(3,011,681)	(3,011,681)	–
– Gross receipts		2,977,486	2,977,486	–
		(34,195)	(34,195)	–
30 June 2022				
Non-derivative financial liabilities				
Trade and other payables*	(3,843,671)	(3,843,671)	(3,732,344)	(111,327)
Derivative financial instruments				
Forward exchange contracts – liabilities	(40,962)			
– Gross payments		(3,895,475)	(3,895,475)	–
– Gross receipts		3,854,513	3,854,513	–
		(40,962)	(40,962)	–

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

	Carrying amount $	Contractual cash flows $	Within 1 year $
Company			
30 June 2023			
Non-derivative financial liabilities			
Trade and other payables	(509,459)	(509,459)	(509,459)
30 June 2022			
Non-derivative financial liabilities			
Trade and other payables	(513,420)	(513,420)	(513,420)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2023

20 FINANCIAL RISK MANAGEMENT (continued)

Market risk

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

The Group's exposure to foreign currency risk relates primarily to its US dollar and Japanese yen denominated financial assets and liabilities while the Company's exposure to foreign currency risk primarily relates to US dollar and Philippines peso denominated financial assets and liabilities. The Group is also exposed to the foreign currencies of the countries in which the subsidiaries operate. The Group endeavours to minimise such exposures as far as possible by matching assets and liabilities of the same currency although there is no formal hedging policy. As at 30 June 2023, the Group had outstanding foreign exchange contracts with notional amounts of approximately $3,011,681 (2022: $3,854,513) to manage exposure to foreign currency fluctuation.

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

	US dollar $	Japanese yen $
Group		
30 June 2023		
Trade and other receivables	2,770,363	144,797
Cash and cash equivalents	1,104,236	11,440
Trade and other payables	(61,710)	(2,328)
	3,812,889	153,909
30 June 2022		
Trade and other receivables	3,475,224	173,434
Cash and cash equivalents	1,036,026	14,984
Trade and other payables	(147,681)	(13,117)
	4,363,569	175,301

	US dollar $	Philippines peso $
Company		
30 June 2023		
Trade and other receivables	–	1,533,843
Cash and cash equivalents	82,586	–
	82,586	1,533,843
30 June 2022		
Trade and other receivables	–	1,724,349
Cash and cash equivalents	1,734	–
	1,734	1,724,349

20 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Sensitivity analysis

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

	2023 $	2022 $
Group		
US dollar	(381,289)	(436,357)
Japanese yen	(15,391)	(17,530)
Company		
US dollar	(8,259)	(173)
Philippines peso	(153,384)	(172,435)

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

Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

20 FINANCIAL RISK MANAGEMENT (continued)

Accounting classifications and fair values

Fair value versus carrying amounts

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

	Note	Financial assets at amortised cost $	Designated at fair value $	Other financial liabilities $	Total carrying amount $	Fair value $
Group						
30 June 2023						
Trade and other receivables*	8	11,072,555	–	–	11,072,555	
Forward exchange contracts – asset	8	–	4,400	–	4,400	4,400
Cash and cash equivalents	9	14,266,863	–	–	14,266,863	
		25,339,418	4,400	–	25,343,818	
Trade and other payables**	13	–	–	(2,825,108)	(2,825,108)	
Forward exchange contracts – liability	13	–	(38,595)	–	(38,595)	(38,595)
		–	(38,595)	(2,825,108)	(2,863,703)	
Group						
30 June 2022						
Trade and other receivables*	8	16,068,995	–	–	16,068,995	
Forward exchange contracts – asset	8	–	272	–	272	272
Cash and cash equivalents	9	20,368,243	–	–	20,368,243	
		36,437,238	272	–	36,437,510	
Trade and other payables**	13	–	–	(3,843,671)	(3,843,671)	
Forward exchange contracts – liability	13	–	(41,234)	–	(41,234)	(41,234)
		–	(41,234)	(3,843,671)	(3,884,905)	

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

	Note	Financial assets at amortised cost $	Designated at fair value $	Other financial liabilities $	Total carrying amount $	Fair value $
Company						
30 June 2023						
Trade and other receivables*	8	1,533,843	–	–	1,533,843	
Cash and cash equivalents	9	2,326,039	–	–	2,326,039	
		3,859,882	–	–	3,859,882	
Trade and other payables**	13	–	–	(509,459)	(509,459)	
30 June 2022						
Trade and other receivables*	8	1,724,990	–	–	1,724,990	
Cash and cash equivalents	9	8,710,763	–	–	8,710,763	
		10,435,753	–	–	10,435,753	
Trade and other payables**	13	–	–	(513,420)	(513,420)	

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

Fair value hierarchy

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

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

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

	Level 2 $	Total $
Group		
30 June 2023		
Forward exchange contracts – asset	4,400	4,400
Forward exchange contracts – liability	(38,595)	(38,595)
30 June 2022		
Forward exchange contracts – asset	272	272
Forward exchange contracts – liability	(41,234)	(41,234)

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

21 SEGMENT REPORTING

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

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

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

Inter-segment pricing is determined on mutually agreed terms.

21 SEGMENT REPORTING (continued)
Operating Segments

	Singapore $	Malaysia $	The Philippines $	USA $	China $	Elimination $	Consolidated $
2023							
Total revenue from external customers	14,943,595	10,502,604	5,205,755	18,468,037	17,902,002	–	67,021,993
Inter-segment revenue	5,278,900	1,339,690	383,547	3,895	–	(7,006,032)	–
Total revenue	20,222,495	11,842,294	5,589,302	18,471,932	17,902,002	(7,006,032)	67,021,993
Segment profit before tax	3,302,512	4,726,129	1,627,026	(1,478,196)	6,213,060	(17,422)	14,373,109
Unallocated expenses							(744,313)
Profit from operations							13,628,796
Tax expense							(3,858,316)
Net profit for the year							9,770,480
Segment assets	17,209,802	10,593,263	3,036,710	13,102,224	12,384,413	(474,407)	55,852,005
Unallocated assets:							
Others							2,338,988
Total assets							58,190,993
Segment liabilities	3,539,037	657,222	1,189,762	1,370,117	1,879,821	–	8,635,959
Unallocated liabilities:							
Tax	1,505,196	510,118	28,014	–	351,576	208,620	2,603,524
Others							509,460
Total liabilities							11,748,943
Other segment information							
Capital expenditure	1,651,240	1,061,532	360,959	684,062	303,272	(105,459)	3,955,606
Depreciation	2,297,863	728,739	500,494	2,223,061	987,573	(19,666)	6,718,064
Non-current assets	11,027,703	4,453,909	1,745,751	7,391,724	3,836,206	(98,885)	28,356,408

21 SEGMENT REPORTING (continued)

Operating Segments (continued)

	Singapore $	Malaysia $	The Philippines $	USA $	China $	Elimination $	Consolidated $
2022							
Total revenue from external customers	18,909,324	13,833,004	5,604,159	17,592,626	26,525,652	–	82,464,765
Inter-segment revenue	7,023,154	1,558,254	685,102	208	–	(9,266,718)	–
Total revenue	25,932,478	15,391,258	6,289,261	17,592,834	26,525,652	(9,266,718)	82,464,765
Segment profit before tax	6,810,508	6,893,602	2,088,344	(60,543)	11,063,384	101,632	26,896,927
Unallocated expenses							(743,327)
Profit from operations							26,153,600
Tax expense							(6,347,049)
Net profit for the year							19,806,551
Segment assets	17,434,008	12,941,821	3,480,164	16,130,261	15,437,934	(456,986)	64,967,202
Unallocated assets:							
Others							8,724,380
Total assets							73,691,582
Segment liabilities	3,505,629	911,808	1,260,046	2,602,986	2,438,138	–	10,718,607
Unallocated liabilities:							
Tax	1,878,733	717,172	36,584	–	1,294,364	–	3,926,853
Others							741,235
Total liabilities							15,386,695
Other segment information							
Capital expenditure	1,654,126	822,534	566,312	480,895	1,382,006	(829)	4,905,044
Depreciation	2,246,311	784,858	519,006	2,536,650	1,059,383	(25,235)	7,120,973
Non-current assets	11,378,738	4,631,370	1,933,835	9,138,775	4,190,071	(13,092)	31,259,697

Major customers

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

	Singapore $	Malaysia $	The Philippines $	USA $	China $	Total $
2023						
Revenue	2,139,841	2,743,510	3,967,263	17,135,180	2,800,914	28,786,708
Number of customers	1	2	4	4	1	12
2022						
Revenue	–	3,044,575	4,084,827	13,721,536	4,058,874	24,909,812
Number of customers	–	2	4	4	1	11

22 COMMITMENTS

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

	Group	
	2023	**2022**
	$	**$**
Capital commitments:		
– contracted but not provided for	193,196	859,030
– authorised but not contracted for	239,009	493,105

23 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

(i) Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 July 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability is recognised on a net basis. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. The Group is still in the process of assessing the impact of the amendments.

(ii) Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-Current*

The amendments, as issued in 2020 and amended in 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2024. The amendments specify that covenants with which an entity must comply after the reporting date do not affect a liability's classification at that date. Instead, amounts and information on non-current liabilities subject to such conditions are disclosed separately in the financial statements. The amendments also clarify how an entity classifies a liability that can be settled in its own shares. The Group is still in the process of assessing the impact of the amendments.

23 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

(iii) Others

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

- SFRS(I) 17 *Insurance Contracts* and Amendments to SFRS(I) 17 *Insurance Contracts*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*
- Amendments to SFRS(I) 16: *Lease Liability in a Sale and Leaseback*

SHAREHOLDERS' STATISTICS

As at 4 September 2023

SHARE CAPITAL

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

Based on the information available to the Company as at 4 September 2023, the percentage of shareholding held in the hands of the public is approximately 49.35% which is more than 10% of the issued ordinary shares of the Company. Therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with. The Company did not have any treasury shares or subsidiary holdings (as defined in the Listing Manual) as at 4 September 2023.

SUBSTANTIAL SHAREHOLDERS AS AT 4 SEPTEMBER 2023

	Name	Shareholdings beneficially held by the substantial shareholder		Other shareholdings in which the substantial shareholder is deemed to have an interest	
		No. of Shares	%	No. of Shares	%
1	Christopher Reid Borch	26,124,913*	18.79%	37,860,256**	27.23%
2	Sarcadia LLC	37,760,256*	27.16%	–	–
3	Low Ming Wah***	7,126,001	5.13%	1,000	0.00%
4	Andrea W. Borch****	–	–	37,760,256	27.16%
5	Kyle Christopher Borch****	3,025,000*	2.18%	37,760,256	27.16%
6	Tyler Campbell Borch****	775,000*	0.56%	37,760,256	27.16%
7	Cameron Louis Borch****	775,000*	0.56%	37,760,256	27.16%
8	Allison Ruth Borch****	775,000*	0.56%	37,760,256	27.16%

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

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

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

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

ANALYSIS OF SHAREHOLDERS BY RANGE AS AT 4 SEPTEMBER 2023

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued share capital
1 – 99	17	0.75	578	0.00
100 – 1,000	678	29.98	461,700	0.33
1,001 – 10,000	1,203	53.21	4,927,505	3.55
10,001 – 1,000,000	352	15.57	25,265,932	18.17
1,000,001 and above	11	0.49	108,376,166	77.95
Total	**2,261**	**100.00**	**139,031,881**	**100.00**

SHAREHOLDERS' STATISTICS

As at 4 September 2023

TWENTY LARGEST SHAREHOLDERS AS AT 4 SEPTEMBER 2023

	Name	No. of Shares	% of Issued share capital
1	Citibank Nominees Singapore Pte Ltd	81,744,596	58.80
2	Low Ming Wah	7,126,001	5.13
3	DBS Nominees Pte Ltd	5,368,500	3.86
4	Lam Yen Yong	3,404,000	2.45
5	Chew Kwai Yoke	2,713,000	1.95
6	Tan Eng Yam Holdings Pte Ltd	1,602,700	1.15
7	Tan Boon Khak Holdings Pte Ltd	1,541,100	1.11
8	Tan Leng Oei	1,360,700	0.98
9	Tan Seck Wei	1,320,700	0.95
10	Maybank Securities Pte Ltd	1,117,869	0.80
11	Yeap Lam Yang	1,077,000	0.77
12	IFAST Financial Pte Ltd	981,400	0.71
13	Lim Yong Wah	947,300	0.68
14	Tan Kok Ching	900,050	0.65
15	Raffles Nominees (Pte) Limited	806,727	0.58
16	OCBC Securities Private Ltd	788,649	0.57
17	United Overseas Bank Nominees Pte ltd	666,300	0.48
18	Phillip Securities Pte Ltd	638,850	0.46
19	Lim Low Yeok	585,700	0.42
20	OCBC Nominees Singapore Pte Ltd	544,950	0.39
Total		**115,236,092**	**82.89**

NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of the Company will be held at Big Picture Theatre, Level 9, Capital Tower, 168 Robinson Road, Singapore 068912 on Monday, 30 October 2023 at 2.00 p.m. to transact the following business:

Ordinary Business

1 To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2023 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a final dividend of three cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2023. **[Resolution 2]**

3 To re-elect Mr Christopher Reid Borch, who retires by rotation pursuant to Regulation 97 of the Company's Constitution, as Director of the Company. **[Resolution 3]**

4 To re-elect Ms Lai Chin Yee, who retires by rotation pursuant to Regulation 97 of the Company's Constitution, as Director of the Company. **[Resolution 4]**

5 To re-elect Mr Kyle Christopher Borch, who retires pursuant to Regulation 103 of the Company's Constitution, as Director of the Company. **[Resolution 5]**

6 To approve the payment of Directors' Fees of S$430,000 for the financial year ended 30 June 2023. (2022: S$435,000) **[Resolution 6]**

7 To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 7]**

8 To transact any other business that may be transacted at an Annual General Meeting.

Special Business

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

9 **Authority to allot and issue shares in the capital of the Company**

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

(a) (i) allot and issue shares in the capital of the Company (***Shares***) (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements, or options (collectively, ***Instruments***) that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

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

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

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro-rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below); and

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:–

    (a) new Shares arising from the conversion or exercise of convertible securities or from the exercise of share options or vesting of share awards which were issued and are outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and

    (b) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **[Resolution 8]**

By Order of the Board

Tan Wei Lee
Company Secretary
29 September 2023
Singapore

Explanatory Notes:

(1) For Ordinary Resolutions 3, 4 and 5, detailed information on the three Directors can be found in the sections on "Board of Directors", "Corporate Information", "Corporate Governance" and "Additional Information for Directors Seeking Re-election" in the Company's Annual Report FY2023.

Ms Lai Chin Yee, if re-elected as Director of the Company, will remain as Chairperson of the Audit Committee and Risk Management/Sustainability Committee and a member of the Remuneration Committee and Nominating Committee and will be considered as an independent director.

(2) The ordinary resolution 8, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to an aggregate number not exceeding 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings, if any, in the capital of the Company, with a sub-limit of 10% for issues other than on a pro-rata basis.

Notes:

(A) Physical Meeting

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

(B) Submission of Proxy Form

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

2. A proxy need not be a member of the Company.

3. The Proxy Form is available on SGXNET and https://micromechanics.listedcompany.com/. A printed copy of the Proxy Form can also be found in the Annual Report 2023 which will be despatched to members.

4. The Proxy Form must be submitted in the following manner:

   - if submitted electronically, be submitted via email to the Company's Share Registrar, M & C Services Private Limited at GPD@mncsingapore.com; or

   - if submitted by post, be deposited at M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902

   in either case, by **2.00 p.m. on 27 October 2023**.

5. A member who wishes to submit a Proxy Form must complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

6. CPF and SRS investors:

   (a) may attend the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or

   (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 18 October 2023**.

(C) Submission of Questions

1. Members can submit their questions related to the resolutions to be tabled at the AGM live at the AGM.

2. Members can also submit their questions related to the resolutions to be tabled at the AGM to the Chairman of the Meeting, in advance of the AGM, by email to investor@micro-mechanics.com or by post to the Company at Micro-Mechanics (Holdings) Ltd., 31 Kaki Bukit Place, Eunos Techpark, Singapore 416209. All questions must be submitted by **2.00 p.m. on 14 October 2023**.

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

   a. your full name;
   b. number of shares held; and
   c. the manner in which you hold shares in the Company (e.g. via CDP, CPF or SRS).

3. The Company will endeavour to address all substantial and relevant questions related to the resolutions to be tabled at the AGM before or at the AGM. A summary of the questions and responses will be published on SGXNET and the Company's website by 2.00 p.m. on 25 October 2023. For questions which are addressed during the AGM, the responses to such questions will be included in the minutes of the AGM which will be published on the SGXNET and the Company's website.

(D) Annual Report

The Annual Report 2023 has been made available on SGXNET and the Company's website at https://micromechanics.listedcompany.com/. A printed copy of the Annual Report 2023 which includes the Notice of AGM and Proxy Form will be despatched to members.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, or submitting any question prior to the AGM in accordance with the Notice of AGM dated 6 October 2023, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes: (i) processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof); (ii) addressing substantial and relevant questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions; (iii) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF RECORD DATE FOR DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Micro-Mechanics (Holdings) Ltd. (the "Company") will be closed for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 up to 5.00 p.m. on 6 November 2023 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with the Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 6 November 2023 will be entitled to the proposed dividend.

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

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Christopher Reid Borch	Lai Chin Yee	Kyle Christopher Borch
Date of last appointment	25 June 1996	1 June 2014	1 January 2023
Date of last re-appointment (if any)	30 October 2020	30 October 2020	NA
Age	67	57	31
Country of principal residence	USA	Singapore	USA
The Board's comments on this re-election/appointment	After reviewing the recommendation of the Nominating Committee and Mr. Borch's performance and contribution and experience (as set out below), the Board has approved that Mr. Borch stands for re-election as Executive Director.	After reviewing the recommendation of the Nominating Committee and Ms. Lai's qualifications and experience (as set out below), the Board has confirmed Ms. Lai's independence and approved that Ms. Lai stands for re-election as a Non-Executive Independent Director.	After reviewing the recommendation of the Nominating Committee and Mr. Kyle Borch's performance and contribution and experience (as set out below), the Board has approved that Mr. Kyle Borch stands for re-election as Executive Director.
Whether appointment is executive, and if so, the area of responsibility	• Executive Director • Group CEO	• Non-Executive	• Executive Director • Group Deputy CEO
Job title (e.g. Lead ID, AC Chairman, AC Member, etc)	• Executive Director • Group CEO	• Non-Executive Independent Director; • Member of Remuneration Committee; • Chairperson of Audit Committee, Member of Nominating Committee; • Chairperson of Risk Management/Sustainability Committee.	• Executive Director • Group Deputy CEO • Risk Management/ Sustainability Committee member

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Christopher Reid Borch	Lai Chin Yee	Kyle Christopher Borch
Professional qualification	• Undergraduate degree from Furman University • MBA from The Wharton School at the University of Pennsylvania	• Bachelor degree in Accountancy, National University of Singapore; • Fellow member of the Institute of Singapore Chartered Accountants; • Member of the Singapore Institute of Directors.	• Double Masters of Science degrees in Mechanical Engineering and Engineering Management from the University of Southern California. • Bachelor of Science in Physics with a minor in Mathematics from the University of California, Los Angeles.
Working experience and occupation(s) during the past 10 years	Executive Director/Group CEO, Micro-Mechanics (Holdings) Ltd	Finance Director, Qian Hu Corporation Limited	1. Executive Director/Group Deputy CEO, Micro-Mechanics (Holdings) Ltd (current) 2. Manufacturing Engineer started from August 2018 and promoted to Engineering Section Manager, Micro-Mechanics Inc (August 2018 to December 2022) 3. Engineer and Machinist, USC Undergraduate Fabrication Lab (October 2015 to May 2018) and also worked as Haptics Product Design Intern at Apple (May 2017 – August 2017) 4. Engineering Intern, NASA Jet Propulsion Laboratory (May 2016 – August 2016)

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Christopher Reid Borch	Lai Chin Yee	Kyle Christopher Borch
			5. R&D Mechanical Engineer, Agilent Technologies Inc (July 2014 to July 2015 – 3 days a week) and CNC Programmer and Apprentice, Micro-Mechanics, Inc. (July 2014 to August 2015 – 2 days a week)
Shareholding interest in the listed issuer and its subsidiaries	Yes 26,124,913 ordinary shares in Micro-Mechanics (Holdings) Ltd (Direct Interest) 37,860,256 ordinary shares in Micro-Mechanics (Holdings) Ltd (Deemed Interest)	Yes 20,000 ordinary shares in Micro-Mechanics (Holdings) Ltd (Direct Interest)	Yes 3,025,000 ordinary shares in Micro-Mechanics (Holdings) Ltd (Direct Interest) 37,760,256 ordinary shares in Micro-Mechanics (Holdings) Ltd (Deemed Interest)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes, elder son Kyle Christopher Borch, Executive Director and Deputy CEO	No	Mr. Kyle Borch is the eldest son of Mr. Christopher Borch
Conflict of interests (including any competing business)	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Name of Director	Christopher Reid Borch	Lai Chin Yee	Kyle Christopher Borch
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code.			
Past (for the last 5 years)	Nil	Ryobi Kiso Holdings Limited Qian Hu Corporation Limited	Nil
Present	Nil	Singapore Paincare Holdings Limited	Nil
Information required Disclose the following matters concerning an appointment of director.			
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

Name of Director	Christopher Reid Borch	Lai Chin Yee	Kyle Christopher Borch
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	Ms. Lai was the independent director of Ryobi Kiso Holdings Ltd. ("RKH") which was placed under judicial management in May 2019. Ms. Lai, together with all the independent directors of RKH, stepped down as its independent director following the judicial management orders made on RKH, where all powers conferred and duties imposed on the directors by the Companies Act of Singapore or the Constitution of the company shall be exercised or performed by the judicial managers. As an independent director of RKH, Ms. Lai was not involved in the day-to-day operation of RKH.	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

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

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

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

Name of Director	Christopher Reid Borch	Lai Chin Yee	Kyle Christopher Borch
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

MICRO-MECHANICS (HOLDINGS) LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No: 199604632W)

PROXY FORM

This proxy form has been made available on SGXNET and the Company's website at https://micromechanics.listedcompany.com/. A printed copy of the Annual Report 2023 which includes this proxy form will be despatched to members.

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act 1967 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Micro-Mechanics (Holdings) Ltd., this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/ SRS Operators to submit their votes by 5.00 p.m. on 18 October 2023.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of Annual General Meeting dated 29 September 2023.

I/We ______________________ NRIC/Passport/Co. Registration No. ______________

of ______________________

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at Big Picture Theatre, Level 9, Capital Tower, 168 Robinson Road, Singapore 068912 on **Monday, 30 October 2023 at 2.00 p.m.** and at any adjournment thereof.

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

No.	Resolutions Relating To:	No. of Votes For	No. of Votes Against	No. of Votes Abstain
ORDINARY BUSINESS				
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2023			
2	Payment of final dividend			
3	Re-election of Mr Christopher Reid Borch as director			
4	Re-election of Ms Lai Chin Yee as director			
5	Re-election of Mr Kyle Christopher Borch as director			
6	Approval of directors' fees			
7	Re-appointment of KPMG LLP as auditors			
SPECIAL BUSINESS				
8	Authority to allot and issue new shares			

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

Dated this ________ day of ________________ 2023

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

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of shares held by him. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   (c) CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 October 2023.

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

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy must be submitted to the Company in the following manner:

   - if submitted electronically, be submitted via email to the Company's Share Registrar, M & C Services Private Limited at GPD@mncsingapore.com; or

   - if submitted by post, be deposited at M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902,

   in either case, by 2.00 p.m. on 27 October 2023.

5. A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

6. The instrument appointing a proxy shall be signed by the appointor or his attorney. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid. In the case of a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

7. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy if the member, being the appointor, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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