

**MICRO-MECHANICS (HOLDINGS) LTD**

**Condensed Interim Financial Statements  
For First Quarter and Three Months Ended  
30 September 2021**

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**A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2021**

	Note	Group (First Quarter) 3 months ended		
		30 Sep 21 S\$	30 Sep 20 S\$	Change
Revenue	E4	20,459,903	18,146,411	12.7%
Cost of sales		(9,114,277)	(8,206,997)	11.1%
<b>Gross profit</b>		<b>11,345,626</b>	<b>9,939,414</b>	14.1%
Other income	E5	107,683	332,748	(67.6%)
Distribution costs		(803,076)	(807,402)	(0.5%)
Administrative expenses		(2,789,676)	(2,454,477)	13.7%
Other operating expenses		(1,201,009)	(1,050,745)	14.3%
<b>Profit from operations</b>		<b>6,659,548</b>	<b>5,959,538</b>	11.7%
Finance costs		-	-	-
<b>Profit before income tax</b>	E5	<b>6,659,548</b>	<b>5,959,538</b>	11.7%
Income tax expense	E6	(1,689,632)	(1,308,453)	29.1%
<b>Profit after tax</b>		<b>4,969,916</b>	<b>4,651,085</b>	6.9%
<b>Non-controlling interests</b>		-	-	-
<b>Profit for the period</b>		<b>4,969,916</b>	<b>4,651,085</b>	6.9%
<b>Statement of Comprehensive Income</b>				
Profit for the period		<b>4,969,916</b>	<b>4,651,085</b>	6.9%
<b>Other comprehensive income:</b>				
<b>Item that is or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences for foreign operations, net of tax		275,443	40,003	588.6%
<b>Total comprehensive income for the period</b>		<b>5,245,359</b>	<b>4,691,088</b>	<b>11.8%</b>
Earnings per share:	E7			
Basic (SGD in cent)		3.57	3.35	
Diluted (SGD in cent)		3.57	3.35	

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

	Note	Group 30 Sep 21 S\$	Group 30 Jun 21 S\$	Company 30 Sep 21 S\$	Company 30 Jun 21 S\$
<b>Non-current assets</b>					
Property, plant and equipment	E9	28,628,507	29,666,904	-	-
Right-of-use assets		2,174,212	2,461,711	-	-
Investment property	E10	328,988	330,653	-	-
Subsidiaries		-	-	29,095,544	29,095,544
Trade and other receivables	E11	1,108,184	462,102	-	-
Deferred tax asset		38,700	39,096	-	-
		32,278,591	32,960,466	29,095,544	29,095,544
<b>Current assets</b>					
Inventories		5,618,357	5,201,641	-	-
Trade and other receivables	E11	14,772,185	13,552,136	1,449,248	1,971,372
Cash and cash equivalents		24,587,642	20,611,778	10,969,985	10,594,061
		44,978,184	39,365,555	12,419,233	12,565,433
<b>Total assets</b>		77,256,775	72,326,021	41,514,777	41,660,977
<b>Shareholders' equity</b>					
Share capital	E12	14,782,931	14,782,931	14,782,931	14,782,931
Reserves		450,851	175,408	-	-
Accumulated profits		47,977,278	43,007,362	25,724,797	26,161,805
		63,211,060	57,965,701	40,507,728	40,944,736
<b>Non-current liabilities</b>					
Deferred tax liabilities		1,534,396	1,385,784	408,582	203,601
Trade and other payables	E13	842,524	867,591	-	-
Lease liabilities		1,064,267	1,339,999	-	-
		3,441,187	3,593,374	408,582	203,601
<b>Current liabilities</b>					
Trade and other payables	E13	7,041,034	7,861,437	594,882	509,055
Lease liabilities		1,152,055	1,152,578	-	-
Current tax payable		2,411,439	1,752,931	3,585	3,585
		10,604,528	10,766,946	598,467	512,640
Total liabilities		14,045,715	14,360,320	1,007,049	716,241
<b>Total equity and liabilities</b>		77,256,775	72,326,021	41,514,777	41,660,977

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

	Share Capital	Foreign Currency Translation Reserve	Accumulated remeasure- ment on retirement benefits	Accumulated Profits	Total
	S\$	S\$	S\$	S\$	S\$
<b>The Group</b>					
As at 1 July 2020	14,782,931	329,672	(149,704)	43,021,070	57,983,969
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	-	4,651,085	4,651,085
<b>Other comprehensive income:</b>					
Foreign currency translation differences, net of tax	-	40,003	-	-	40,003
Total comprehensive income for the period	-	40,003	-	4,651,085	4,691,088
<b>As at 30 September 2020</b>	<b>14,782,931</b>	<b>369,675</b>	<b>(149,704)</b>	<b>47,672,155</b>	<b>62,675,057</b>
As at 1 July 2021	14,782,931	272,054	(96,646)	43,007,362	57,965,701
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	-	4,969,916	4,969,916
<b>Other comprehensive income:</b>					
Foreign currency translation differences, net of tax	-	275,443	-	-	275,443
Total comprehensive income for the period	-	275,443	-	4,969,916	5,245,359
<b>As at 30 September 2021</b>	<b>14,782,931</b>	<b>547,497</b>	<b>(96,646)</b>	<b>47,977,278</b>	<b>63,211,060</b>

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
	S\$	S\$	S\$	S\$
<b>The Company</b>				
As at 1 July 2020	14,782,931	-	25,602,968	40,385,899
<b>Total comprehensive income for the period:</b>				
Net profit for the period	-	-	3,848,529	3,848,529
Total comprehensive income for the period	-	-	3,848,529	3,848,529
<b>As at 30 September 2020</b>	<b>14,782,931</b>	<b>-</b>	<b>29,451,497</b>	<b>44,234,428</b>
As at 1 July 2021	14,782,931	-	26,161,805	40,944,736
<b>Total comprehensive income for the period:</b>				
Net profit for the period	-	-	(437,008)	(437,008)
Total comprehensive income for the period	-	-	(437,008)	(437,008)
<b>As at 30 September 2021</b>	<b>14,782,931</b>	<b>-</b>	<b>25,724,797</b>	<b>40,507,728</b>

**D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASHFLOW FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2021**

	<b>Group (First Quarter) 3 months ended</b>	
	<b>30 Sep 2021</b> S\$	<b>30 Sep 2020</b> S\$
<b>Cash flows from operating activities</b>		
Profit for the period	4,969,916	4,651,085
Adjustments for:		
Depreciation of property, plant and equipment	1,731,078	1,678,732
Depreciation of investment property	3,073	-
Property, plant and equipment written off	-	18
Loss on disposal of property, plant and equipment	11,682	3,454
Interest income	(12,245)	(15,404)
Interest expense on lease liabilities	25,895	25,152
Tax expense	1,689,632	1,308,453
<b>Operating profit before changes in working capital</b>	<b>8,419,031</b>	<b>7,651,490</b>
Inventories	(398,710)	87,843
Trade and other receivables	(1,815,149)	(322,427)
Trade and other payables	(784,824)	677,458
Cash generated from operations	5,420,348	8,094,364
Income tax paid	(888,926)	(908,489)
<b>Net cash from operating activities</b>	<b>4,531,422</b>	<b>7,185,875</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(304,933)	(2,274,736)
Proceeds from disposal of property, plant and equipment	2,366	3,787
Interest received	9,579	11,671
<b>Net cash used in investing activities</b>	<b>(292,988)</b>	<b>(2,259,278)</b>
<b>Cash flows from financing activities</b>		
Lease paid	(320,309)	(298,042)
<b>Net cash used in financing activities</b>	<b>(320,309)</b>	<b>(298,042)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,918,125</b>	<b>4,628,555</b>
Cash and cash equivalents at beginning of period	20,449,978	20,651,935
Effect of exchange rate fluctuations	57,039	46,175
<b>Cash and cash equivalents at the end of period</b>	<b>24,425,142</b>	<b>25,326,665</b>

Note:

(i) Cash and cash equivalent is derived from:

	<b>Group 30 Sep 21</b> S\$	<b>Group 30 Sep 20</b> S\$
Cash and cash equivalent balances	24,587,642	25,491,265
Less: Pledged cash placed with bank	(162,500)	(164,600)
	<b>24,425,142</b>	<b>25,326,665</b>

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

### **E1 Corporate information**

Micro-Mechanics (Holdings) Ltd. (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the first quarter and three months ended 30 September 2021 comprise the Company and its subsidiaries (collectively, the Group).

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

### **E2 Basis of preparation**

The condensed interim financial statements have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 30 June 2021.

Other than adoption of the amended standards as set out in E2.2, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 30 June 2021, which were in accordance with SFRS(I)s.

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

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

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

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

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

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

New standards and amendments

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

- Interest Rate Benchmark Reform – Phase 2 (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)

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

**E3 Seasonal operations**

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

**E4 Revenue**

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

**Geographical market**

Country	4Q21		1Q22		1Q21		% change
	S\$	%	S\$	%	S\$	%	
Singapore	1,965,383	10%	1,708,548	8%	1,941,611	11%	(12.0%)
Malaysia	2,981,957	16%	2,893,669	14%	2,752,352	15%	5.1%
Philippines	1,418,233	7%	1,402,985	7%	1,547,231	9%	(9.3%)
Thailand	403,656	2%	328,114	2%	335,412	2%	(2.2%)
China	5,923,497	31%	7,277,103	36%	5,443,805	30%	33.7%
USA	3,793,064	20%	4,001,086	20%	3,678,394	20%	8.8%
Europe	758,567	4%	751,266	4%	558,271	3%	34.6%
Japan	264,266	1%	322,237	1%	284,118	2%	13.4%
Taiwan	1,339,304	7%	1,305,262	6%	1,333,020	7%	(2.1%)
Rest of world	296,055	2%	469,633	2%	272,197	1%	72.5%
	19,143,982	100%	20,459,903	100%	18,146,411	100%	12.7%

**E5 Profit before income tax**

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

**Income:**

	Group (First Quarter) 3 months ended		
	30 Sep 21 S\$	30 Sep 20 S\$	Change
(Loss) on disposal of property, plant and equipment	(11,682)	(3,454)	238.2%
Interest income from banks and others	12,245	15,404	(20.5%)
Rental income	30,501	30,848	(1.1%)
Government grant – Employment Credit, Wage Credit and Capability Development Scheme	13,338	259,799	(94.9%)
Exchange gain	-	6,938	(100%)
Others	63,281	23,213	172.6%

**Expenses:**

	Group (First Quarter) 3 months ended		
	30 Sep 21 S\$	30 Sep 20 S\$	Change
Depreciation of property, plant and equipment	1,425,490	1,384,235	3.0%
Depreciation of investment property	3,073	-	n.m.
Depreciation of right-of-use assets	305,588	294,497	3.8%
Exchange loss	18,843	-	n.m.
Inventories written off	37,092	26,922	37.8%
Interest expense on lease liabilities	25,895	25,152	3.0%
Property, plant and equipment written off	-	18	(100%)

**E6 Income tax expense**

	<b>Group (First Quarter) 3 months ended</b>	
	<b>30 Sep 21 S\$</b>	<b>30 Sep 20 S\$</b>
<b>Tax charge</b>		
Current period	1,535,356	1,176,048
Under/(Over) provision in prior years	7,252	(3,084)
	1,542,608	1,172,964
<b>Deferred tax</b>		
Origination and reversal of temporary differences	146,526	135,489
Under provision in prior years	498	-
	147,024	135,489
<b>Total tax expense</b>	<b>1,689,632</b>	<b>1,308,453</b>

**E7 Earnings per share**

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

	<b>Group (First Quarter) 3 months ended</b>	
	<b>30 Sep 2021</b>	<b>30 Sep 2020</b>
Profit for the period	4,969,916	4,651,085
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	139,031,881	139,031,881
Basic earnings per share (cents)	3.57	3.35

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

**E8 Net Asset Value**

	<b>Group 30 Sep 21</b>	<b>Group 30 Jun 21</b>	<b>Company 30 Sep 21</b>	<b>Company 30 Jun 21</b>
Net Asset Value per ordinary share (cents)	45.47	41.69	29.14	29.45

The net asset value per ordinary share is calculated based on net assets of S\$63.2 million (30 June 2021: S\$58.0 million) and 139,031,881 (30 June 2021: 139,031,881) shares in issue at the end of the current financial period reported on/immediately preceding financial year.

**E9 Property, plant and equipment**

During the financial period ended 30 September 2021, the Group acquired property, plant and equipment with an aggregate cost of S\$304,933 (30 September 2020: S\$2,274,736). The amount of assets disposed for financial period ended 30 September 2021 was S\$14,049 (30 September 2020: S\$7,259).

**E10 Investment Property**

The property is an industrial building located in Malaysia. The fair value of the investment property as at 30 September 2021 was S\$2,080,000 (30 June 2021: \$2,071,040). No independent valuer was engaged to perform the valuation. Management estimated the fair value of the Group's investment property by using the latest available market information for similar properties and recent experience and knowledge in the location and category of property being valued.

**E11 Trade and other receivables**

	<b>Group 30 Sep 21 S\$</b>	<b>Group 30 Jun 21 S\$</b>	<b>Company 30 Sep 21 S\$</b>	<b>Company 30 Jun 21 S\$</b>
Trade receivables	13,954,251	12,867,220	–	–
Other receivables	112,123	71,240	–	–
Deposits	342,289	344,918	–	–
Amount owing by subsidiaries (non-trade)	–	–	1,421,098	1,959,622
Financial assets at amortised cost	14,408,663	13,283,378	1,421,098	1,959,622
Advances to suppliers	787,659	137,382	1,900	–
Prepayments	683,746	593,203	26,250	11,750
Forward exchange contracts	301	275	–	–
Trade and other receivables	15,880,369	14,014,238	1,449,248	1,971,372
Non-current	1,108,184	462,102	–	–
Current	14,772,185	13,552,136	1,449,248	1,971,372
	15,880,369	14,014,238	1,449,248	1,971,372

**E12 Share Capital**

<b>Group and Company</b>	<b>30 September 2021</b>		<b>30 June 2021</b>	
	<b>Number of shares</b>	<b>S\$</b>	<b>Number of shares</b>	<b>S\$</b>
Fully paid ordinary shares with no par value				
At 1 July and 30 Sep	139,031,881	14,782,931	139,031,881	14,782,931

There was no movement in the issued and paid-up capital of the Company since 30 June 2021.

There were no outstanding convertibles as at 30 September 2021 (30 June 2021: Nil).

The Company did not hold any treasury shares as at 30 September 2021 (30 June 2021: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the three months ended 30 September 2021.

**E13 Trade and other payables**

	<b>Group 30 Sep 21 S\$</b>	<b>Group 30 Jun 21 S\$</b>	<b>Company 30 Sep 21 S\$</b>	<b>Company 30 Jun 21 S\$</b>
Trade payables	1,380,795	1,170,787	–	–
Other payables	847,272	1,063,516	30,291	29,244
Accrued expenses	4,964,379	5,834,585	564,591	479,811
Advances from customers	138,875	102,963	–	–
Forward exchange contracts	35,129	32,992	–	–
Provision for retirement benefits	517,108	524,185	–	–
	<b>7,883,558</b>	<b>8,729,028</b>	<b>594,882</b>	<b>509,055</b>
Non-current	842,524	867,591	–	–
Current	7,041,034	7,861,437	594,882	509,055
	<b>7,883,558</b>	<b>8,729,028</b>	<b>594,882</b>	<b>509,055</b>

**E14 Borrowings**

The Group does not have any bank borrowings for three months ended 30 September 2021 and 30 June 2021.

**E15 Financial assets and financial liabilities**

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

	<b>Financial assets at amortised cost \$</b>	<b>Designated at fair value \$</b>	<b>Other financial liabilities \$</b>	<b>Total carrying amount \$</b>	<b>Fair value \$</b>
<b>Group</b>					
<b>30 September 2021</b>					
Trade and other receivables*	14,408,663	–	–	14,408,663	
Forward exchange contracts- assets	–	301	–	301	301
Cash and cash equivalents	24,587,642	–	–	24,587,642	
	<b>38,996,305</b>	<b>301</b>	<b>–</b>	<b>38,996,606</b>	
Trade and other payables**	–	–	(7,848,429)	(7,848,429)	
Forward exchange contracts -liability	–	(35,129)	–	(35,129)	(35,129)
	–	<b>(35,129)</b>	<b>(7,848,429)</b>	<b>(7,883,558)</b>	
<b>30 June 2021</b>					
Trade and other receivables*	13,283,378	–	–	13,283,378	
Forward exchange contracts- assets	–	275	–	275	275
Cash and cash equivalents	20,611,778	–	–	20,611,778	
	<b>33,895,156</b>	<b>275</b>	<b>–</b>	<b>33,895,431</b>	
Trade and other payables**	–	–	(7,858,725)	(7,858,725)	
Forward exchange contracts -liability	–	(32,992)	–	(32,992)	(32,992)
	–	<b>(32,992)</b>	<b>(7,858,725)</b>	<b>(7,891,717)</b>	

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Company	Financial assets at amortised cost \$	Designated at fair value \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
<b>30 September 2021</b>					
Trade and other receivables*	1,421,098	–	–	1,421,098	
Cash and cash equivalents	10,969,985	–	–	10,969,985	
	<u>12,391,083</u>	<u>–</u>	<u>–</u>	<u>12,391,083</u>	
Trade and other payables**	–	–	(594,882)	(594,882)	
<b>30 June 2021</b>					
Trade and other receivables*	1,959,622	–	–	1,959,622	
Cash and cash equivalents	10,594,061	–	–	10,594,061	
	<u>12,553,683</u>	<u>–</u>	<u>–</u>	<u>12,553,683</u>	
Trade and other payables**	–	–	(509,055)	(509,055)	

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

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

*Fair value hierarchy*

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

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

Group	Level 2 \$	Total \$
<b>30 September 2021</b>		
Forward exchange contracts – asset	301	301
Forward exchange contracts – liability	<u>(35,129)</u>	<u>(35,129)</u>
<b>30 June 2021</b>		
Forward exchange contracts – asset	275	275
Forward exchange contracts – liability	<u>(32,992)</u>	<u>(32,992)</u>

**E16 Segment reporting**

**Operating Segments 1Q22**

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

**Major customers**

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

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

MICRO-MECHANICS (HOLDINGS) LTD  
Condensed Interim Financial Statements for First Quarter and Three Months Ended 30 September 2021

**Operating Segments 1Q21**

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Total revenue from external customers	4,125,235	2,992,210	1,613,461	4,181,059	5,234,446	-	18,146,411
Inter-segment revenue	1,666,207	429,720	73,3578	88	-	(2,169,373)	-
<b>Total revenue</b>	<b>5,791,442</b>	<b>3,421,930</b>	<b>1,686,819</b>	<b>4,181,147</b>	<b>5,234,446</b>	<b>(2,169,373)</b>	<b>18,146,411</b>
Segment result	1,677,478	1,382,848	607,100	254,348	2,080,143	100,761	6,102,678
Unallocated expenses							(143,140)
Profit from operations							5,959,538
Income tax expense	(243,114)	(337,859)	(45,229)	(1,095)	(548,628)	(132,528)	(1,308,453)
Net profit for the period							<u>4,651,085</u>
Segment asset	20,573,778	11,834,096	3,745,872	13,794,643	13,036,961	(498,287)	62,487,063
Unallocated assets							14,293,014
Others							
<b>Total assets</b>							<u>76,780,077</u>
Segment liabilities	(4,316,284)	(947,290)	(903,733)	(1,349,087)	(1,629,492)	(683,028)	(9,828,914)
Unallocated liabilities							
Income tax	(1,940,027)	(701,086)	(103,200)	-	(586,069)	(291,196)	(3,621,578)
Others							(654,528)
<b>Total liabilities</b>							<u>(14,105,020)</u>
Other segment information:							
Capital expenditure	1,830,899	269,880	89,088	66,717	18,152	-	2,274,736
Depreciation	531,512	206,774	145,569	561,812	246,680	(13,615)	1,678,732
Non-current assets	12,696,204	5,108,281	2,100,859	8,563,298	4,088,503	(83,461)	32,473,684

**Major customers**

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	\$	\$	\$	\$	\$	\$
<b>1Q21</b>						
Revenue	-	763,393	1,256,268	3,568,386	1,152,239	6,740,286
Number of customers	-	2	4	4	1	11

**E17 Subsequent events**

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

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

**F1 Review**

The condensed interim consolidated statement of financial position of Micro-Mechanics (Holdings) Ltd and its subsidiaries as at 30 September 2021 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the period then ended and certain explanatory notes have not been audited or reviewed.

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

Not applicable.

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

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

The audited financial statements for the year ended 30 June 2021 was not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

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

Not applicable.

**F2 Review of Group Performance**

**REVIEW OF PROFIT AND LOSS**

*Semiconductor Industry Review*

According to the World Semiconductor Trade Statistics (WSTS), world-wide chip sales increased 29.3% to US\$92.6 billion in the months of July and August 2021 as compared to the same two-month period in 2020. The Semiconductor Industry Association (SIA) said that global semiconductor sales remained strong in July and August 2021 with robust demand seen across all major regional markets and semiconductor product categories. The SIA said chip shipments reached all-time highs in recent months as the industry is ramping up production to address sustained high demand.

In its Semiconductor Market Forecast released on 16 August 2021, the World Semiconductor Trade Statistics (WSTS) has upgraded its previous forecasts for the world semiconductor market. The WSTS envisaged that global chip sales to show outstanding growth of 25.1% to US\$551 billion in 2021. This reflects growth in all major product categories with Memory, Analog and Logic expected to be the largest contributors. All geographical regions are also expected to show double-digit growth in 2021.

For 2022, WSTS is projecting the global semiconductor market to grow a further 10.1% to US\$606 billion, driven by double-digit growth of the Memory category.

*Group Revenue*

		1Q	2Q	3Q	4Q	Full Year
REVENUE	FY2022	S\$20,459,903	NA	NA	NA	NA
	FY2021	S\$18,146,411	S\$18,748,772	S\$17,689,537	S\$19,143,982	S\$73,728,702
	% growth	12.7%	NA	NA	NA	NA

For the three months ended 30 September 2021 (1Q22), the Group's revenue increased by 12.7% year-on-year (yoy) to S\$20.5 million from S\$18.1 million in 1Q21, buoyed by the continuing growth of the global semiconductor industry.

On a quarter-on-quarter (qoq) basis, Group revenue in 1Q22 also showed growth of 6.9% as compared to S\$19.1 million in 4Q21.

*Revenue breakdown by Geographical Market*

Country	4Q21		1Q22		1Q21		% change
	S\$ m	%	S\$ m	%	S\$ m	%	
Singapore	2.0	10%	1.7	8%	1.9	11%	(12.0%)
Malaysia	3.0	16%	2.9	14%	2.8	15%	5.1%
Philippines	1.4	7%	1.4	7%	1.5	9%	(9.3%)
Thailand	0.4	2%	0.3	2%	0.3	2%	(2.2%)
China	5.9	31%	7.3	36%	5.4	30%	33.7%
USA	3.8	20%	4.0	20%	3.7	20%	8.8%
Europe	0.7	4%	0.8	4%	0.6	3%	34.6%
Japan	0.3	1%	0.3	1%	0.3	2%	13.4%
Taiwan	1.3	7%	1.3	6%	1.3	7%	(2.1%)
Rest of world	0.3	2%	0.5	2%	0.3	1%	72.5%
	19.1	100%	20.5	100%	18.1	100%	12.7%

The Group witnessed a yoy increase in sales across the majority of our key geographical markets during 1Q22, led by growth from the China and USA markets.

China recorded sales growth of 33.7% to S\$7.3 million in 1Q22 and remained as our largest geographical market with a contribution of 36% to the Group's revenue. Sales from our second largest market in the USA increased by 8.8% to S\$4.0 million in 1Q22 and accounted for 20% of Group revenue.

Sales in the Malaysia market increased by 5.1% to S\$2.9 million in 1Q22 and contributed 14% to the Group's revenue.

The Group registered sales of S\$1.7 million from our customers in Singapore during 1Q22, a 12% decrease from S\$1.9 million in 1Q21. Sales in the Philippines eased marginally to S\$1.4 million in 1Q22 from S\$1.5 million in 1Q21.

*Capacity Utilisation*

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2022	61%	NA	NA	NA	NA
FY2021	59%	57%	56%	58%	57%	

Our average capacity utilisation rate increased to 61% in 1Q22. Comparatively, the average capacity utilisation rate was 59% in 1Q21, and 58% in 4Q21 which was in line with our revenue increase.

*Gross Profit (GP) Margin*

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2022	55.5%	NA	NA	NA	NA
FY2021	54.8%	53.9%	54.5%	54.0%	54.3%	

The Group's gross profit increased 14.1% yoy to S\$11.3 million in 1Q22. The Group's GP margin in 1Q22 increased to 55.5% as compared to 54.8% in 1Q21, and 54.0% in 4Q21.

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

Admin, Distribution and Other Operating Expenses (net of other income)		1Q	2Q	3Q	4Q	Full Year
	FY2022 % of sales	S\$4,686,078 22.9%	NA	NA	NA	NA
	FY2021 % of sales	S\$3,979,876 21.9%	S\$4,420,271 23.6%	S\$4,260,744 24.1%	S\$4,132,375 21.6%	S\$16,793,266 22.8%

The Group registered a 67.6% decrease in other income to S\$108k in 1Q22 from S\$333k in 1Q21. The decline was mainly due to the absence of government grants amounting to \$177k provided to our Singapore subsidiary during the COVID-19 pandemic in 1Q21. These government grants were no longer available in 1Q22.

We continue to keep a close watch on our expense structure. Our distribution cost was stable at S\$0.8 million in both 1Q22 and 1Q21. Administrative expenses increased by 13.7% to S\$2.8 million in 1Q22 from S\$2.5 million in 1Q21 mainly due to salary increments and promotions, as well as higher headcount. Other operating expenses in 1Q22 increased by 14.3% to S\$1.2 million mainly due to salary increments and promotions.

In aggregate, the Group's administrative, distribution and other operating expenses (net of other income) increased by 17.7% from S\$4.0 million in 1Q21 to S\$4.7 million in 1Q22. Accordingly, these overhead expenses increased slightly to 22.9% in 1Q22 from 21.9% in 1Q21 as a percentage of Group revenue.

*Profit before Tax and Net Profit*

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2022	S\$4,969,916	NA	NA	NA	NA
	FY2021	S\$4,651,085	S\$4,454,337	S\$4,173,832	S\$4,781,182	S\$18,060,436
% growth	6.9%	NA	NA	NA	NA	NA

As a result of the above, the Group's profit before tax increased by 11.7% to S\$6.7 million in 1Q22 from S\$6.0 million in 1Q21.

Income tax expenses increased by 29.1% to S\$1.7 million in 1Q22 from S\$1.3 million in 1Q21. For 1Q22, the Group's effective tax rate increased to 25.4% from 22.0% in 1Q21. The tax expenses included a provision of S\$204k for withholding tax (S\$169k in 1Q21) on dividends to be remitted to Singapore from various overseas subsidiaries. After deducting income tax expenses, the Group's net profit increased by 6.9% yoy to S\$5.0 million in 1Q22 from S\$4.7 million in 1Q21.

On a sequential basis, net profit in 1Q22 increased by 3.9% qoq from S\$4.8million in 4Q21. Net profit margin in 1Q22 was 24.3% as compared to 25.6% in 1Q21 and 25.0% in 4Q21.

Correspondingly, the Group's earnings per share increased to 3.57 cents in 1Q22 from 3.35 cents in 1Q21.

### ***Balance Sheet***

The Group remains in a sound financial position. As at 30 September 2021, it had a balance sheet with total assets of S\$77.3 million, shareholders' equity of S\$63.2 million, cash and cash equivalents of S\$24.6 million and no bank borrowings.

### ***Long Term Assets***

As at 30 September 2021, non-current assets decreased marginally to S\$32.3 million as compared to S\$33.0 million as at 30 June 2021.

### ***Trade Receivables***

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
<b>Trade Receivables</b>	<b>FY2022</b>	<b>S\$13,954,251</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
	<b>≥ 90 days</b>	<b>0.4%</b>			
	<b>Write-off</b>	<b>-</b>			
	<b>FY2021</b>	<b>S\$12,102,795</b>	<b>S\$12,044,570</b>	<b>S\$12,574,162</b>	<b>S\$12,867,220</b>
<b>≥ 90 days</b>	<b>0.09%</b>	<b>0.03%</b>	<b>0.12%</b>	<b>0.00%</b>	
<b>Write-off</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Total trade receivables as at 30 September 2021 increased to S\$14.0 million from S\$12.9 million as at 30 June 2021 in line with the higher revenue registered in 1Q22. Of this, S\$53k was outstanding for 90 days or more (zero at end of 30 June 2021). There was no bad debt expense recognised during 1Q22 and 1Q21.

### ***Trade & Other Payables***

As at 30 September 2021, our trade payables totaled S\$1.4 million with S\$37.2k outstanding for 30 days or more. Non-trade payables totaled S\$1.0 million. Accrued expenses decreased to S\$5.0 million from S\$5.8 million as at 30 June 2021.

### ***Long term liabilities***

As at 30 September 2021, the deferred tax liabilities was S\$1.5 million as compared to S\$1.4 million as at 30 June 2021.

### ***Inventory***

The Group continuously manages its inventory to avoid over-stocking and minimise write-offs. As a percentage of annualised sales, our inventory of S\$5.6 million as at 30 September 2021 (S\$5.2 million at end of FY2021) was 6.9% (7.1% at end of FY2021). Inventory written off in 1Q22 totaled S\$37k, as compared to S\$27k in 1Q21.

### ***Capital Expenditure***

		1Q	2Q	3Q	4Q	Full Year
<b>Capital Expenditure</b>	<b>FY2022</b>	<b>S\$304,933</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
	<b>% of sales</b>					
	<b>FY2021</b>	<b>S\$2,274,736</b>	<b>S\$2,975,450</b>	<b>S\$407,454</b>	<b>S\$1,121,849</b>	<b>S\$6,779,489</b>
	<b>% of sales</b>					<b>9.2%</b>

The Group's capital expenditure in 1Q22 amounted to S\$304k which was mainly related to the purchase of equipments in our factories in Singapore and Malaysia and a delivery van in USA. For FY2022, we expect to incur capital expenditure of S\$6 million.

### *Cash Flow Analysis*

The Group generated net cash from operations of S\$4.5 million in 1Q22 (S\$7.2 million in 1Q21). After deducting net cash used for investing activities of S\$293k and net cash used for financing activities of S\$320k, we ended 1Q22 with cash and cash equivalent of S\$24.6 million which includes S\$0.2 million in pledged deposits.

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

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

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

Without a doubt, the COVID-19 pandemic has presented the Group with significant challenges. During FY2021, we dealt with a short closure of our factory in Malaysia and curfew restrictions in the Philippines that kept some of our employees from getting to our factory there. Some of our customers and suppliers also struggled with COVID-related production delays and stoppages.

Due in large part to the diligent efforts by our people to be flexible, observe the Group's safety protocols and take into consideration the health of their colleagues, we managed to keep all our worldwide factories operating without a major hiccup during 1Q22.

At the end of 1Q22, our plant in China ("MMSU") was unable to operate for several days due to electricity rationing by the local provider. Although MMSU has returned to normal operations, the local authorities have advised that there may be additional power cutbacks that will affect MMSU in the coming months. Several of our customers in China were also affected by the same electricity issues. This has made the overall situation fluid, unclear and a matter of concern for the Group.

During 1Q22, our factory in the USA ("MMUS") had difficulty obtaining on a timely basis some of the basic materials required for production such as aluminium and steel. Together with rapidly rising prices for such materials and manpower shortages that affected the timely delivery from some of the suppliers that we depend on for direct processes such as cleaning and testing, the sales and results of MMUS were lower than we anticipated. Even though MMUS received a record number of new orders in 1Q22, we are concerned that the growing possibility of a worsening supply-chain picture in the coming months could affect its operations.

Together with a host of economic and political concerns that go beyond the COVID-19 pandemic, ranging from trade friction between the USA and China, spiking energy costs and rapidly rising costs for materials, shipping and labour, we expect a challenging year in FY2022. While there is plenty to worry about, the Group has to-date not witnessed any significant impact on our financial results from the aforesaid factors. We will keep shareholders updated if there are material developments that could affect the Group's performance.

In spite of all of the challenges and concerns during this unprecedented period, the Group still performed admirably in 1Q22. The Group's quarterly revenue increased to a record level of S\$20.5 million, up 12.7% from S\$18.1 million in 1Q21. Our profit before tax rose 11.7% to S\$6.7 million in 1Q22 from S\$6.0 million in the same period a year ago. After deducting taxes of S\$1.7 million (S\$1.3 million in 1Q21), Group profit after tax increased 6.9% to S\$5.0 million from S\$4.7 million in 1Q21.

Although dealing with the repercussions of a global pandemic is something new for the Group, we have always been mindful of the need to build an organization that is flexible and resilient. In many ways, the challenges facing the Group are helping us to accelerate changes and innovations and strengthen our focus on a handful of key initiatives which we believe, in the long term, will make us a stronger competitor in the industry. These include:

- *Maintaining a Healthy Gross Profit Margin* – Having a strong focus on customers and the value we bring to their business is a key objective. This means working diligently to understand and meet the requirements of our customers by delivering *Perfect Parts and Tools, On-Time, Every Time*. As the semiconductor industry develops new equipment and processes for manufacturing chips with device geometries below 10 nanometers, our customers will increasingly require parts and tools manufactured using improved materials and

processes that eliminate defects and variability. In the future, we think there may only be a handful of suppliers capable of meeting these stringent requirements and our goal is to become a leading *Next Generation Supplier*. We believe that our strong customer focus and the great work by our people should enable the Group to maintain a healthy GP margin. Indeed, our GP margin in 1Q22 improved to 55.5% from 54.8% in the same quarter a year ago. We plan to continue working to improve this key measure of our focus on the customer, strength in the marketplace and the value our work creates.

- *Automating Our Operations* – Because a single defect can cause disastrous consequences in the precision manufacturing process of semiconductors, our customers need the parts and tools used in critical processes to be flawless. It has also become increasingly difficult to hire people especially for shop-floor positions. At the end of 1Q22, we employed 510 great people which is slightly lower compared to 514 people at the end of 1Q21. Although we understand our attrition rate of less than 10% is better than other companies in our industry, it is challenging to keep up with a growing market and customer demands in a tight labour situation. As a result, the Group’s goal is to automate our operations around processes that are repeatable, scalable and cost-effective. This automation also extends to digitalizing our workflows for efficiency and mobility. During 1Q22, we spent S\$0.3 million primarily for new equipment compared to S\$2.3 million in 1Q21. During FY2022, we expect to spend about S\$6 million on new equipment.
- *Growing Without Debt and Rewarding Our Shareholders* – Building a great manufacturing business without debt helps to foster a culture of resourcefulness, discipline and careful decision making. In addition, we would like to attract shareholders who share our approach to long-term investing. Hence, one of the Group’s key goals is to continue growing without taking on debt while building a track record for consistently rewarding shareholders.
  - During 1Q22, we generated S\$4.5 million in net cash from operating activities (S\$7.2 million in 1Q21). After net investing activities of S\$0.3 million and S\$0.3 million in net financing activities, the Group ended the quarter in a strong financial position with S\$24.6 million in cash (including S\$0.2 million held as security deposits) and no bank borrowings.
  - Since our listing we have also maintained a consistent practice of rewarding shareholders for their continuous support of Micro-Mechanics. Subject to approval at the upcoming Annual General Meeting on 29 October 2021, we plan to distribute a final dividend of 6 cents and a special dividend of 2 cents per ordinary share. This will bring the total dividend payment for FY2021 to 14 cents per ordinary share, compared with 12 cents per ordinary share for FY2020. In addition to reflecting our confidence in the Group’s long-term prospects, we hope this higher dividend will also benefit our shareholders during a difficult and unprecedented period.
  - Including the proposed final and special dividend for FY2021, we will have distributed total dividends of 99.9 cents per share since 2003. Based on dividends alone, this translates into a return of about 500% for shareholders who bought Micro-Mechanics shares at our Initial Public Offer.
- *Excelling in Transparency and Governance* – Lastly, we would like to excel at the development and practice of transparency and good governance. Indeed, providing accurate and meaningful information on a timely basis is the foundation for sound decision making, not just for investors, but for everyone at Micro-Mechanics from the board room to the shop floor. As a result, we were delighted that the Group was again ranked highly in the Singapore Governance and Transparency Index (SGTI) released on 4 August 2021 at 15<sup>th</sup> out of 519 companies listed on the Singapore Exchange (we were ranked 13<sup>th</sup> out of 577 companies in 2020). Since our listing in 2003, the Group has received recognition more than 30 times for our efforts to practice good corporate governance, transparency and investor relations.

## **F5. Dividend Information**

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

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

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

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

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

Not applicable.

**(d) Books Closure Date**

Not applicable.

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

No dividend has been declared in the first quarter ended 30 September 2021 which is in line with the Group's usual practice to declare or recommend dividend in the second quarter and fourth quarter of each financial year since its IPO.

**F6. Interested person transactions**

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

For the three months ended 30 September 2021, the Group has made rental payment of US\$105,000 (30 September 2020: US\$99,000) and electrical services payment of US\$50,467 (30 September 2020: US\$39,369) to Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

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

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

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

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

Not applicable.

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

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results of the Group and of the Company for the financial period ended 30 September 2021 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**CHOW KAM WING**  
Company Secretary  
28 October 2021