

**MICRO-MECHANICS (HOLDINGS) LTD.**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 199604632W)

Minutes of the Twenty-Seventh Annual General Meeting of the Company held at Big Picture Theatre, Level 9, Capital Tower, 168 Robinson Road, Singapore 068912 on Monday, 30 October 2023 at 2.00 p.m.

**DIRECTORS PRESENT**

- Ms Sumitri Mirnalini Menon @ Rabia - Independent Non-Executive Chairman
- Mr Christopher Reid Borch – Executive Director and Chief Executive Officer (“CEO”)
- Mr Kyle Christopher Borch – Executive Director and Deputy Chief Executive Officer (“DCEO”)
- Ms Lai Chin Yee – Independent Director
- Mr Kwan Yew Kwong Kenny – Independent Director

**IN ATTENDANCE**

- Ms Wendy Tan Wei Lee - Vice President, Finance and Company Secretary (“VPF”)

**OPENING & PRESENTATION**

The Chairman, Ms Sumitri Menon noted that it was time for the 27<sup>th</sup> Annual General Meeting (“AGM”) to commence and that a quorum was present. She called the meeting to order and welcomed all present.

The directors and VPF gave a brief introduction of themselves to the shareholders. The Chairman then invited Mr Christopher Borch, the CEO, Mr Kyle Borch, the DCEO and Ms Wendy Tan, the VPF to present an update of the Group’s business.

The CEO welcomed all shareholders to the AGM. He informed that together with DCEO and VPF, they would share some presentation slides covering a corporate overview of the Company, the financial performance of the Group for FY2023 and the key areas of focus for FY2024. He also said they would be giving an update of the Group’s financial performance for 1Q2024 as the Company had just announced these financial results to SGX during lunch hour that day. The presentation slides would be made available on SGXNET with a Company announcement after the AGM.

The CEO’s first slide was a “Corporate Overview” that covered the Company’s founding in 1983 and listing on the SGX since 2003. He was pleased to inform that 2023 marked the Company’s 40<sup>th</sup> year since its founding in Singapore. The Company specialises in the design and manufacture of high precision parts and tools used in process-critical applications for semiconductor wafer-fabrication and assembly. It serves a worldwide base of more than 600 customers from five plants in Asia (Singapore, Malaysia, China and the Philippines) and USA. The CEO said that the focus of the four plants in Asia is to manufacture a market-leading range of consumable tools and parts for use in the assembly and testing of semiconductor whereas the plant in the USA manufactures precision parts and tools for use in critical applications for the semiconductor wafer fabrication industry. He said Micro-Mechanics has been recognized more than 30 times for its efforts to practise good corporate governance, transparency and investor relations since its listing.

The CEO then presented the next 2 charts on “Semiconductor Industry Review” which showed the historical data of the global monthly chip sales (source: Semiconductor Industry Association) and WSTS semiconductor sales forecast (source: World Semiconductor Trade Statistics). The data of these 2 charts shows that the semiconductor industry is a large and growing industry with global chip sales for the 12 months from 1 July 2022 to 30 June 2023 hitting over US\$500 billion. He pointed out that the industry’s growth trend is not linear but has cyclicality and volatility arising from market conditions. However, he said the downtrend of the semiconductor industry had begun to slow and global chip sales have increased on a month-to-month basis for 6 consecutive months to August 2023. As such, he is optimistic for this growth momentum to continue in the months ahead.

The next slide showed another perspective of the semiconductor industry, i.e., the equipment industry. The CEO explained that the Company's products in the USA are made for wafer fabrication equipment. Looking at the equipment industry is a good barometer and indicator for the health and growth of the semiconductor industry. He pointed out the semiconductor equipment industry is a very large and growing business with global sales of over S\$100 billion in 2021 and 2022. As demand for chips increases, this would create higher demand for wafer fabrication equipment.

With regards to the Group's financial performance, the CEO said that the sudden and rapid downturn of the global semiconductor industry since the start of FY2023 had a significant impact on its performance when compared to the record results achieved in FY2022. The Group's revenue in FY2023 declined by 19% (from S\$82.5 million to S\$67.0 million), net profit fell by 50.7% (from S\$19.8 million to S\$9.8 million) while the gross profit margin eased to 46.5%.

On the Group's leadership succession, the CEO expressed his tremendous appreciation to the former Chief Operating Officer of the Group, Mr Low Ming Wah and Chief Financial Officer ("CFO"), Mr Chow Kam Wing, for their more than 34 and 27 years of invaluable service before their retirement this year. Mr Low and Mr Chow, both of whom were present at the AGM, remained employed by the Group as advisors and mentors to help pave the way for a smooth leadership transition. The CEO then invited Mr Kyle Borch, the newly appointed DCEO and Ms Wendy Tan, the newly appointed VPF to introduce themselves to the shareholders.

The DCEO informed that he has been working full time in the Company's plant in USA for about 5 years before being appointed as DCEO of the Company in January 2023. He started as an engineer at the Company's plant in the USA, tasked with various engineering responsibilities and gradually assumed management of several key technical areas until his promotion to DCEO in January 2023. He said that he intend to relocate from the USA to Singapore by 2Q2024. This will enable the DCEO to work more closely with customers and our teams in Asia. He expressed his gratitude for the guidance and support given to him by the former chief officers, general managers and factory managers who were present at the AGM.

Ms Wendy Tan informed that she has been with the Company's finance team for more than 20 years. She used to work under the former CFO, Mr Chow Kam Wing and took over his role in February 2023. Since then, Ms Tan has been overseeing the Group's finance, administration and corporate governance matters.

The CEO then called upon the DCEO to present the key areas of focus and operational initiatives for the Group for FY2024.

The DCEO briefly went through the five operational initiatives which the Group would be focusing on in FY2024. He said the goal is for each of the Group's manufacturing plants to become a "Five-Star Factory". A slide called "The Five Pillars of a Five-Star Factory" detailing the vision and strategic perspectives of each of the 5 initiatives was presented at the AGM. The DCEO gave an analogy of Singapore Airlines and Singapore Raffles Hotel, both of which are recognized and well-known brands for their high level of customer service or product with a 5-star rating status. Likewise, he said that by focusing on the five operational initiatives referred to as the "Five Pillars of a Five-Star Factory", he is optimistic that the Group would become a leading Next Generation Supplier of high precision tools and parts for the wafer fabrication and assembly processes in the semiconductor industry.

The first operational initiative is "High Performance Teams" (strategy: The right people in the right positions make everything happen). The DCEO said that people are the first priority and of utmost importance among all the operational initiatives. Hence, the Group will continuously train and develop its people so as to achieve a championship team that can produce effective results.

The second operational initiative is "Fast, Effective and Local Support to our Global Customers (strategy: Creating value for our customers and the industries we serve). He informed that the Group would be strengthening its focus on decentralization of each plant so as to provide better service with fast and effective local support to global customers.

The third operational initiative is "Five Star Implementation of 8s and ESG" which focuses on practices by all personnel resulting in organized, productive, clean, safe and environmentally responsible operations. He believes it is important to have the right mindset and a focus in involving all personnel in organizing the workplace to create a productive, safe and

environmentally friendly workplace.

The DCEO said the fourth and fifth initiatives, namely “Operational Excellence” and “Innovation Excellence”, are paired together. He explained that operational excellence means running a factory well with the best in all aspects of manufacturing, quality, engineering, design, finance and management processes. He said that as operational excellence focuses on a culture of continuous improvement, it would not be enough to just be continuously improving but also to make breakthroughs with fresh innovative thinking and ingenuity for process, products, methods and materials. When these two initiatives are paired together, he believes it would put the Group on a sustained trajectory growth for the next 40 years.

The DCEO ended his presentation by acknowledging the presence of the Group’s factory managers and general managers at the AGM. He said they would be assisting each factory in the pursuit of becoming a “Five-Star Factory” by involving more people at each location as part of their journey for excellence.

The CEO informed that the Group ended FY2023 with a strong balance sheet which had S\$14.3 million in cash and no bank borrowings. He was also pleased to announce that the Company was once again recognised for its efforts to practise and demonstrate good governance. In the Singapore Governance and Transparency Index (SGTI)’s general category of companies, the Company was ranked 14<sup>th</sup> out of 474 companies on the Singapore Exchange. The other companies in the top 20 were mainly blue-chip companies with large market capitalisations. In the Singapore corporate awards, the CEO was also delighted to announce the Company was once again recognized for its best board practices earning the Bronze Award in the Best Managed Board category for companies with market capitalization of S\$300 million to less than S\$1 billion.

The CEO then moved on to another slide, “Dividend Performance”. He informed that with the shareholders’ approval of the final dividend at this AGM, the Company would have declared a total dividend of 9 cents per share for FY2023. From the chart, he remarked that the Group has a very strong track record of dividend progress. The Group has a dividend policy and had paid above 40% of the Group’s after tax annual earnings as dividends to the shareholders for most of the years since listing. He reported that shareholders who bought their shares at the IPO would have earned a return of about 688% on dividends alone to-date.

The CEO then invited Ms Wendy Tan, the VPF to present her report on the financial performance of the Group for FY2023 and 1Q2024.

The VPF informed that for FY2023, the Group’s revenue had decreased by 18.7% due to the slower economy. On the three key ratios, she reported that the gross profit margin (GPM) had contracted to 46.5%. GPM measures competitiveness against others in the industry. With regard to the net profit margin which indicates how they control their expenses and working capital, the Group achieved 14.6%. On the return on equity which measures capital investments and working capital to generate profit, the Group achieved 21% for FY2023.

On dividend performance, the VPF reported that in line with the Company’s dividend policy, the board has recommended a final dividend of 3 cents per share for shareholders’ approval at this AGM. Together with the interim dividend of 6 cents per share paid in February 2023, the total dividend for FY2023 would be 9 cents per share.

On the financial performance in 1QFY2024, the VPF said the Group’s revenue declined 21.5% year to year to S\$15.9 million due to the ongoing slowdown of the semiconductor industry. However, she informed that the Group has seen improvement in its revenue over the last 2 quarters in 4Q2023 and 1Q2024.

She informed that the top 3 geographical customers for FY2023 and 1Q2024 remained as China, followed by USA and Malaysia. These 3 markets accounted for about 67% and 73% of the total Group revenue in FY2023 and 1Q2024 respectively. The GPM of 46.5% for FY2023 was below the threshold margin of 50% due to lower revenue and higher material and labour cost. However, she informed that the Group recorded a slight improvement in GPM in 1Q2024 which stood at 48.8% compared to 44.7% for 4Q2023. Despite the lower sales and lower GPM, the Group achieved a net profit of S\$9.8 million for FY2023 and S\$2.7 million for 1Q2024. She said that the Group would continue to monitor closely on their operating expenses.

As at end of FY2023, the VPF reported that the Group generated a healthy net cash of S\$17.7

million from operating activities. In 1Q2024, the Group generated net cash equivalents of S\$3.6 million from operations. The Group spent S\$4 million in capital expenditure in FY2023 and has set a budget of S\$4 million for capital expenditure in FY2024.

The VPF then made reference to the slide on “Balance Sheet” and informed that the Company had cash of S\$14.3 million as at 30 June 2023 and S\$16.9 million as at 30 September 2023. The Company did not have any bank borrowings for these 2 periods. On the trade receivables, she said that the Company had about 600 customers and the finance team make all efforts to collect the debts from customers on time. To keep the inventory current, obsolete stocks are reviewed and written off on a quarterly basis. On shareholders’ equity, the amount was S\$46.4 million as at 30 June 2023 and S\$49.3 billion as at 30 September 2023.

The CEO thanked the DCEO and VPF for the presentation.

Q&A on the presentation slides:-

Question: A shareholder congratulated the Company for the improvement of the Group’s quarter to quarter results. He has 2 questions:

- what is the typical useful life of consumable tools and components?
- whether the top 5 customers which contributed to around 35% of the Group’s total revenue for FY2023 are the same top 5 customers as FY2022?

Reply: On the first question, the DCEO replied the useful life depends on the specific product and application which could range from a couple of weeks to a couple of months.

The CEO added that there are also some products which are consumed on a daily basis and this would depend a lot on each customer’s preferences. Some customers will change the consumable parts more frequently, not because the parts have worn out but more to ensure cleanliness and reliability to avoid damage and contamination during their manufacturing processes.

On the second question, the VPF said the top 5 customers for both years were generally the same. However, she could not disclose their names due to confidentiality reasons.

Question: A shareholder wanted to know how would Artificial Intelligence (AI) impact the Group’s business and opportunities going forward? At what point is AI a contributor to the Group’s business and when would one see the effect of it?

Reply: The CEO shared that AI is already widely used in various areas of business activities particularly in machine automation. This has led to improved chip production particularly in the semiconductor industry which involves vast amount of data processing, to develop and manufacture chips with smaller and smaller nodes of 5 to 3 nanometers now compared with 10 to 7 nanometers a few years ago. The CEO said that making chips with such atomic level of architecture is indeed challenging and getting harder and harder. He added that there are very few suppliers capable of meeting the stringent process controls and requirements of the semiconductor industry.

The DCEO added that AI is about high performance with faster and more powerful computation. He concurred that producing high performance chips is getting more complex and becoming harder to assemble. Thus, under the initiatives of the “Five-Star Factory” presented earlier, he informed it would be for each plant to push and pursue excellence not only in operational processes but also ingenuity and innovation on creating tools to meet such market demand.

**Question:** Another shareholder referred to the Segment Reporting of the Group's operation plants in the USA ("MMUS") and China on page 122 of the Annual Report. He observed that for FY2023, given that the total revenue and assets of MMUS and the China plant were comparable, MMUS had suffered a loss before tax of S\$1.5 million whereas the China plant had achieved a profit before tax of S\$6.2 million. He wanted to know whether the huge difference in results was mainly due to higher staff cost in MMUS and what was the board's view and position on MMUS given its high turnover but continuing poor financial results?

**Reply:** The CEO replied that the Company was definitely not happy with the loss-making position of MMUS for FY2023. Regarding the team in China, he commended their efforts in being very focused to the needs of customers. He explained that MMUS' business is different from the other plants in Asia. MMUS manufactures parts for the equipment industry which is not the same as the consumable tools manufactured by the plants in Asia. The recent economic downturn had a larger negative impact on the financial results of MMUS due to lower demand for equipment parts by customers. He believes that MMUS diversification into wafer fabrication parts is a good long-term approach for the Group. Meanwhile, MMUS is working diligently on various operational measures with a focus of achieving profitable long-term growth.

**Question:** The same shareholder then referred to the list of profit and loss items under note 16 found on page 111 of the annual report. He noticed the largest expenses for FY2023 were staff costs and directors' remuneration totalling S\$28 million which accounted for 42% of the Group's total revenue while depreciation on property, plant and machinery totalling S\$6.7 million accounted for only 10% of the Group's total revenue. Given that the Group relies substantially on high-tech and automation, the shareholder wondered why staffing expenses account for a high proportion of the total revenue? Looking at MMUS financial position, is the staff cost too high?

**Reply:** The CEO replied that most of the Group's manufacturing processes are automated but there are also some intricate processes which can only be handled by humans. The Group has been working diligently to implement a number of key initiatives, of which one is to automate, reduce and streamline these labour-intensive processes. However, he was also mindful of striking an optimal balance between navigating through challenging times during the downturn and being ready for the longer term when the economy improves. He said the Company has always taken a conservative approach in deploying capital. For instance, the Company spent less than S\$1 million on capex in 1Q2024.

The segment on presentation by Management ended and the formal meeting in accordance with the agenda began.

The Company had also received some questions from a few shareholders before the AGM this year and the responses to substantial and relevant questions were published on SGXNET and the Company's website on 24 October 2023. The questions and responses are attached as "Appendix 1" to these minutes.

Before proceeding to the formal business of the AGM, the Chairman informed that as required under the Listing Rules, all resolutions put to the vote at this AGM would be voted on by way of a poll. She explained the polling procedures and also announced that TS Tay Public Accounting Corporation was appointed to act as scrutineer for the meeting.

The meeting then proceeded to discuss the formal business of the AGM. With permission from the shareholders, the Notice of AGM was taken as read.

## **ORDINARY BUSINESS**

## 1. Adoption of Directors' Statement and Audited Financial Statements

1.1 The following Ordinary Resolution No. 1 was duly proposed and seconded: -

"It was resolved that the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2023 and the Auditors' Report thereon be received and adopted."

1.2 Q&A on Ordinary Resolution 1:

Question: A shareholder observed a sharper drop in net profits in FY2023 from FY2022 compared to the drop in revenue for the same two years. He wondered whether it was due to a loss of customers or any loss of competitiveness with the other providers of such precision components or a cut in prices to get sales done?

Reply: CEO said that the drastic drop was because FY2022 was a record year with net profit of nearly S\$20 million compared to FY2023. Towards the end of FY2022, the Group started to experience slower market conditions which was the primary driver for the lower revenue and under absorption of fixed cost. He said that it is not practical to move the Group's headcount up and down on a short-term basis, but instead use the downturn period to improve processes so that the Group will be in a better position when the market's growth resumes. He also informed that one of the Group's initiatives this year is leadership succession. It is no small feat to replace 70 years of combined knowledge of the two former chief officers of the Group but this is a perfect time for the change when things are not so busy. With the changes in market conditions, it is also perfect timing for the factory and general managers to get used to doing things differently. He added that when building a business over a long period, one has to find a way to keep doing the important things even during downturns.

Question: The same shareholder also noticed the big swing in net losses of MMUS which had increased to S\$1.5 million for FY2023 compared to a net loss of S\$60,000 for FY2022. He wanted to know (i) the reasons for such a sharp and significant decline; (ii) the value of the business in MMUS; and (iii) the next steps the Company would be gearing up for the future?

Reply: DCEO replied that the higher loss at MMUS in FY2023 as compared to FY2022 was due to the under absorption of fixed cost which hit its bottom line. At MMUS, they made a strategic decision to narrow the company's engineering focus to 4 main product areas for the wafer fabrication equipment sector in order to develop a compelling offering and competitive differentiation for MMUS. He is optimistic and expects improved results next year. He added that the USA is an incredibly complex place to operate due to its high cost and the difficulty finding the right people to run the plant effectively and efficiently. This has pushed MMUS to pursue its initiatives to become a better operational company. Together with the innovation initiatives it has developed, MMUS will be able to bring and share those learnings to the other facilities in Asia thus benefitting the whole group.

Question: The same shareholder has a last question. Despite the growth in MMUS revenue in FY2023 compared to FY2022, why was there an increase in the losses?

Reply: Ms Lai, Chairman of the Audit Committee replied that staff cost and depreciation expenses are fixed cost and would need to be incurred regardless of revenue. She explained that over the past six to nine months, materials cost had also been on the rise in the USA which pulled down MMUS gross profit margin. She added that it would not be right to compare the business in USA to China as each region has a different cost structure with one having more flexibility than the other.

Question: A shareholder thanked the members of the board and also complimented the many years of hard work contributed by the former chief officers of the Group, namely, Mr Low Ming Wah and Mr Chow Kam Wing. He then referred to the CEO's earlier reply to a shareholder that the market has changed in doing business. He would like to understand more on this perspective by the CEO.

Reply: The CEO replied that the semiconductor industry is always innovating, evolving, and progressing towards atomic level manufacturing. The industry is now moving at a faster pace, for instance, customers are requesting for shorter delivery times, and also operating in an environment of geopolitical tensions. As such, the Company has to anticipate technical complexity, market complexity and political complexity when doing business.

Question: The same shareholder referred to the Company's response posted on SGXNet on 24 October 2023 that the Company did not export from China to USA and vice versa. He wanted to know whether it is correct to state the geopolitical tensions do not affect the Company as each plant served its own local market?

Reply: The CEO explained that the Company is well positioned and acknowledged that China is a very large market to them and for the chip industry market. Nevertheless, he opined that it is still essential to exercise caution and maintain some apprehension about the uncertain future.

Question: The same shareholder observed that the sales in Singapore for 1Q2024 had fallen over 50% compared to 1Q2023. However, he also noticed that sales in most of the other regions had remained steady. He had the following questions:

- Whether the quarterly fluctuation in the sales in Singapore is normal?
- Does the USA business have some similarities to the Singapore business which sells parts to wafer fabrication makers?
- Does the Company book its sales based on location of the customer or the location of the factory?

Reply: The CEO informed that the decline in sales in the Singapore plant is mainly due to the drop in demand for wafer fabrication parts rather than the consumable tools business. He said the Singapore business has some similarities with the USA business as the wafer fabrication parts sold to customers in Singapore comes from the USA factory. Due to lesser demand, sales in Singapore have also declined in tandem.

The VPF said the Group revenue that was presented is based on the geographical markets where the customers are located.

Question: The same shareholder wanted to know whether (i) the sales in the USA factory comprised of both wafer fabrication parts and consumables tools; (ii) the markets that had held up the sales were attributed primarily by the consumables tools markets; and (iii) the markets which had declined substantially were those of the wafer fabrication parts which impacted Singapore's sales in the first quarter 2024?

Reply: The VPF replied that the sales in the USA factory is a mixture comprising parts from the wafer fabrication business and the consumable tooling business. She said the decreased demand for wafer fabrication parts contributed to the sales decline in the Singapore market.

Question: Another shareholder referred to paragraph 1 of the CEO's message under the Business Strategy found on page 3 of the annual report. He understood the sudden downturn in the semiconductor industry has caught many companies by surprise and he wanted to know what precautionary measures the Company has put in place.

Reply: The CEO replied that due to future uncertainties, the Company would need to build more robust processes as well as become scalable and automated as much as possible. The Company would continue to pursue its initiatives under the "Five-Star Factory" presented by the DCEO earlier at the AGM. He added that predicting the future remains difficult.

Question: A shareholder wanted to know that given the increase in cost in the US factory, is the USA factory in a good location to serve the wafer fabrication segment as compared to its competitors?

Reply: The CEO replied the USA factory is in Silicon Valley which is a good location as the Company is able to work directly with equipment makers and equipment designers. In terms of where the market is shaping up, he said that both the USA and Asia would have big markets in the wafer fabrication industry.

Question: The same shareholder observed that the Group's gross profit margin had improved for 1Q2024 and wanted to know more about the positive factors that led to this improvement.

Reply: The CEO explained over the past two to three years, the cost for everything from materials to energy to labour had increased drastically. To deal with rising costs, the Company is working continuously on operational improvements.

1.3 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 1 by completing the poll voting slips.

## **2. Declaration of Final Dividend**

2.1 The following Ordinary Resolution No. 2 was duly proposed and seconded:-

"It was resolved that a final dividend of 3.0 cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2023 be paid on 17 November 2023 to members registered in the books of the Company on 6 November 2023."

2.2 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 2 by completing the poll voting slips.

## **3. Re-election of Director – Mr Christopher Reid Borch**

3.1 The following Ordinary Resolution No. 3 was duly proposed and seconded:-

"It was resolved that Mr Christopher Reid Borch retiring by rotation pursuant to Regulation 97 of the Company's Constitution, but being eligible and offering himself for re-election, be re-elected as director of the Company."

3.2 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 3 by completing the poll voting slips.

## **4. Re-election of Director – Ms Lai Chin Yee**

4.1 The following Ordinary Resolution No. 4 was duly proposed and seconded:-

"It was resolved that Ms Lai Chin Yee retiring by rotation pursuant to Regulation 97 of the Company's Constitution, but being eligible and offering herself for re-election, be re-elected as director of the Company."

4.2 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 4 by completing the poll voting slips.

## **5. Re-election of Director – Mr Kyle Christopher Borch**

5.1 The following Ordinary Resolution No. 5 was duly proposed and seconded:-

"It was resolved that Mr Kyle Christopher Borch retiring pursuant to Regulation 103 of the Company's Constitution, but being eligible and offering himself for re-election, be re-elected as director of the Company."

5.2 The Chairman called for a poll on the resolution. The shareholders were requested to



exercise their votes on Ordinary Resolution No. 5 by completing the poll voting slips.

## **6. Approval of Directors' Fees**

6.1 The Chairman continued with the proceedings of the meeting. The following Ordinary Resolution No. 6 was duly proposed and seconded:-

“It was resolved that a sum of S\$430,000/- be approved for payment as directors' fees for the financial year ended 30 June 2023.”

6.2 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 6 by completing the poll voting slips.

## **7. Re-appointment of Auditors**

7.1 The following Ordinary Resolution No. 7 was duly proposed and seconded:-

“It was resolved that KPMG LLP be re-appointed Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and that the directors be authorised to fix their remuneration.”

7.2 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 7 by completing the poll voting slips.

## **SPECIAL BUSINESS**

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

8.1 The following Ordinary Resolution No. 8 was duly proposed and seconded:-

“It was resolved 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.”

8.2 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 8 by completing the poll voting slips. Thereafter, the scrutineers collected all the poll voting slips for counting.

**9. Results of the Poll**

9.1 About half an hour later, the scrutineers submitted their report to the Chairman. According to the scrutineers' report, the results of the poll are as follows:-

Resolution number and details	Total number of shares represented by votes for and against the relevant resolution	For		Against		
		Number of shares	As a percentage of total number of votes for and against the resolution (%)	Number of shares	As a percentage of total number of votes for and against the resolution (%)	
<b>Ordinary Business</b>						
1.	Adoption of directors' statement and audited financial statements for the financial year ended 30 June 2023	80,947,631	80,940,531	99.99	7,100	0.01
2.	Payment of final dividend	80,947,631	80,940,531	99.99	7,100	0.01
3.	Re-election of Mr Christopher Reid Borch as director	80,947,631	80,940,531	99.99	7,100	0.01
4.	Re-election of Ms Lai Chin Yee as director	80,927,631	79,867,180	98.69	1,060,451	1.31
5.	Re-election of Mr Kyle Christopher Borch as director	80,947,631	79,914,480	98.72	1,033,151	1.28
6.	Approval of directors' fees	80,927,631	80,907,731	99.98	19,900	0.02
7.	Re-appointment of KPMG LLP as auditors	80,863,981	80,844,081	99.98	19,900	0.02
<b>Special Business</b>						
8.	Authority to allot and issue new shares	80,848,331	80,813,231	99.96	35,100	0.04

9.2 Based on the above results of the poll, it was noted that the following resolutions were passed:-

- 9.2.1 Ordinary Resolution No. 1 carried by the requisite majority
- 9.2.2 Ordinary Resolution No. 2 carried by the requisite majority
- 9.2.3 Ordinary Resolution No. 3 carried by the requisite majority
- 9.2.4 Ordinary Resolution No. 4 carried by the requisite majority
- 9.2.5 Ordinary Resolution No. 5 carried by the requisite majority
- 9.2.6 Ordinary Resolution No. 6 carried by the requisite majority
- 9.2.7 Ordinary Resolution No. 7 carried by the requisite majority
- 9.2.8 Ordinary Resolution No. 8 carried by the requisite majority

There being no further business, the meeting ended at 4.00 p.m.

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SUMITRI MENON  
 CHAIRMAN OF THE MEETING



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

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 199604632W)

**ANNOUNCEMENT**

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**ANNUAL GENERAL MEETING TO BE HELD ON 30 OCTOBER 2023  
– RESPONSES TO QUESTIONS FROM SHAREHOLDERS**

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The Board of Directors of Micro-Mechanics (Holdings) Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to thank shareholders for submitting their questions in advance of the Company’s Annual General Meeting (“AGM”) to be held on 30 October 2023.

For ease of reference, we have categorised and grouped together questions which are related to certain resolutions of the AGM, similar in nature, or pertaining to the same subject matter.

The Company’s responses to the questions that were raised by shareholders are set out in the following pages of this announcement.

By Order of the Board of Directors

Submitted by Tan Wei Lee,  
Company Secretary  
24 October 2023

## **ORDINARY RESOLUTION 1**

### **GENERAL BUSINESS**

**Q1. In your latest Annual Report, the company shared its aspirations for each of the Group's manufacturing facilities to become a "Five-Star Factory".**

- a) How many "stars" would you assess where the Group are currently at?**
- b) How would becoming a "Five-Star Factory" look different from where we are at?**
- c) How will we know when the Group has reached its goals?**

*Five-Star Factory* is not a scorecard. Rather, it refers to an initiative we began this year to more clearly define and implement the fundamentals we believe our operations need for sustainable success. These include:

- being responsive to the needs of our customers and working to solve their high-value problems;
- cultivating a culture of fresh thinking, ingenuity and innovation;
- being process oriented and using data to enhance decision-making and operational excellence;
- developing and maintaining clean, well-organized, lean and productive work areas; and
- working continuously to put the safety and security of our people, data and property as a top priority.

In addition, as the Group starts formal Environmental, Social and Governance ("ESG") reporting, we are also using our *Five-Star Factory* initiative to identify and implement programs that will improve the way we generate and use energy, reduce environmental waste, enhance the well-being of our employees and reinforce our commitment to good governance.

While all our factories currently demonstrate excellence in some of these areas, the chip industry is fast-paced, and to keep up with customer demands that are ever more stringent, we need deep excellence in each of these key areas and across all five plants. Through our quarterly results announcements and particularly our annual report, we will keep shareholders updated on our progress in these important areas.

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**Q2. On Geographical Breakdown (Page 9). Both China and the USA contribute significantly to the company's revenue. Thus far, is the company affected by the geo-political tension between the two countries? Do you foresee any impact of possibly decoupling of the two countries on the company? If yes, how do you intend to deal with this?**

The Group's subsidiary in the USA engages in the contract manufacturing of precision parts used in process-critical applications for the semiconductor wafer-fabrication equipment industry. Our subsidiary in Suzhou manufactures consumable tools used in the assembly and testing of semiconductors. It has always been our strategy to have a decentralized structure with each of our five facilities focused on supporting local customers.

By not exporting from China to the USA or vice versa, we also reduce the possibility of being caught up in trade or other restrictions. While we have thus far not witnessed any significant direct impact from the geo-political tensions between the USA and China on our operations, these tensions are a concern and we remain mindful of developments that may affect our operations and/or our customers in these areas.

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**Q3. On USA Segment profit before tax (page 122), can you share the challenges faced in the US operation that resulted in a loss? On the description of operations (page 121), only the USA segment includes the manufacturing of precision components and modules. Is that the one that is non-profitable?**

During FY2023, our plant in the USA (“MMUS”), which manufactures critical parts for the wafer-fabrication equipment industry, incurred a segment loss of S\$1.48 million. The loss includes depreciation expenses of S\$2.22 million. Each of our four other facilities reported a segment profit for the year.

Although our team at MMUS continues to work diligently to identify, develop and market process-critical parts for wafer-fabrication equipment, it has taken longer than expected for MMUS to develop the requisite technical competencies to become a qualified supplier. It has also been challenging to displace competitors that are much larger and well-entrenched with customers. On the other hand, the efficient machining methodology developed at MMUS, which we term “24/7 Machining”, has been a major benefit to all of the Group’s plants.

During the last two years, we also had to deal with significant cost increases for everything from materials to labor and energy. While it appears as if prices have begun to level out, the cost increases exerted pressure on the margins at MMUS during FY2023. During 4Q23, we took steps to eliminate about S\$2 million in annual operating costs at MMUS.

Together with a renewed focus on accelerating progress, we want to assure stakeholders of our commitment to making MMUS a profitable contributor to the Group.

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**Q4. Thank you for sharing 20 impressive years of the last 40 years as a listed company. I certainly benefited from all the dividends.**

**There is no question that MMH is trying to create another leg to stand for more than 20 years and without success. Please share what was so hard in the pasts [for MMUS] and what kind of challenges MMH must overcome so not to do a repeat.**

Indeed, we also take great pride in our unwavering commitment to building long-term stakeholder value. Subject to the proposed final dividend for FY2023 of 3 cents per share being approved by our shareholders at the Company’s AGM scheduled for 30 October 2023, the Group’s total dividend for FY2023 will be 9 cents per ordinary share. Since becoming a listed company in 2003, we will have distributed 122.9 cents per share, which translates into a return of about 668% based on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

Please refer to Q3 above for the challenges at MMUS.

Since the Group’s founding in 1983, there have been many challenges to which our approach has always been the same. That is, we need to understand the challenge or problem and then put in place, as quickly as possible, a process-based solution.

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## ORDINARY RESOLUTION 2

### DIVIDENDS

- Q5. Thank you for always declaring a dividend higher than the dividend payout threshold of 40%. Assuming there are no unforeseen circumstances, how confident are you to sustain the 9 cents dividend for the next few years?**

Since our public listing in 2003, the Group has had a consistent practice of rewarding shareholders through regular dividend payments every year despite the ups and downs of the business cycle. We are unable to comment on the amount of dividends going forward as it is subject to business performance, working capital and capital expenditure requirements, expansion and investment plans, and other relevant factors. Nevertheless, one of our fundamental areas of focus is to build a great business with a strong balance sheet while fostering a culture of resourcefulness and discipline.

### OTHERS

### LEADERSHIP TRANSITION

- Q6. The company is transitioning leadership as it gears up for the next 40 years. Mr. Kyle Borch, held a non-managerial role since 2018 in this unsuccessful endeavor (so far) at MMUS, then followed by promotion to DCEO. I wonder how employees internally and shareholders externally will see him as the key person or leader of a team built around him for the next 40 years with his current track record.**

Without a doubt, leadership succession can be a difficult process for organizations. Not only is it important to select the right people for the position but it can also be difficult for employees to adapt to the inevitable changes in strategy and approach that come with new leadership.

At the same time, we believe these transitions can be healthy as they create opportunities for fresh perspectives and the chance for our people to grow, learn new skills and be recognized for their contributions to improving our operations.

On 1 January 2023 we were pleased to appoint Mr. Kyle Borch as Deputy CEO and Executive Director. After receiving a Bachelor of Science in Physics with a minor in Mathematics, and dual Master-degrees in Mechanical Engineering and Engineering Management, Mr. Kyle Borch joined Micro-Mechanics five years ago in August 2018.

Executive succession planning often involves the Board having to make the tough decision on whether to look for an external candidate with years of experience, or an internal candidate who may have less experience but better personifies the company's way of working, appreciates our values and emphasizes the Group's long-term success.

With his strong educational background and nearly 4.5 years working for the Group prior to being appointed as Deputy CEO, Mr. Kyle Borch had the opportunity to learn the business, develop key technical and problem-solving skills directly relevant to our manufacturing processes and thoroughly embrace Micro-Mechanics' culture of striving for excellence.

Together with a leadership ethos firmly based on our philosophy of "People Make Everything Happen", the Board believes that Mr. Kyle Borch is the right person to help guide the Group's future for the next 40 years. Mr. Kyle Borch will also have the benefit of tapping the vast industry experience and knowledge of the Group's founder and CEO, Mr. Chris Borch, who remains extremely active in the daily and strategic matters of the Group's global operations.

During 2Q24, Mr. Kyle Borch intends to relocate to the Group's headquarters in Singapore where he will continue to oversee the operations of our four plants in Asia.

**About Micro-Mechanics**

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

The Group serves a worldwide base of customers from five manufacturing facilities located in Singapore, Malaysia, China, the Philippines and the USA. Micro-Mechanics' 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 won over 30 awards in recognition of its high standards of corporate governance, quality of disclosure, transparency and investor relations.

For more information, please visit the Group's website at [www.micro-mechanics.com](http://www.micro-mechanics.com)

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