

**MICRO-MECHANICS (HOLDINGS) LTD**

**Condensed Interim Financial Statements  
For Second Quarter and Half Year Ended  
31 December 2023**

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**A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND HALF YEAR ENDED 31 DECEMBER 2023**

		Group					
		Q2			Half year		
	Note	Oct to Dec 2023 S\$	Oct to Dec 2022 S\$	Change	Jul to Dec 2023 S\$	Jul to Dec 2022 S\$	Change
Revenue	E4	13,502,386	16,720,637	(19.2%)	29,352,492	36,914,435	(20.5%)
Cost of sales		(7,301,150)	(9,156,102)	(20.3%)	(15,420,108)	(19,050,884)	(19.1%)
<b>Gross profit</b>		<b>6,201,236</b>	<b>7,564,535</b>	(18.0%)	<b>13,932,384</b>	<b>17,863,551</b>	(22.0%)
Other income	E5	108,015	110,411	(2.2%)	194,145	229,230	(15.3%)
Distribution costs		(665,023)	(700,067)	(5.0%)	(1,403,108)	(1,442,782)	(2.7%)
Administrative expenses		(2,426,326)	(2,695,127)	(10.0%)	(4,569,347)	(5,466,425)	(16.4%)
Other operating expenses		(842,123)	(1,364,968)	(38.3%)	(1,931,657)	(2,643,969)	(26.9%)
<b>Profit from operations</b>		<b>2,375,779</b>	<b>2,914,784</b>	(18.5%)	<b>6,222,417</b>	<b>8,539,605</b>	(27.1%)
Finance income		56,860	50,347	12.9%	109,859	90,143	21.9%
Finance costs		(152,842)	(188,392)	(18.9%)	(303,800)	(205,501)	47.8%
Net finance costs		(95,982)	(138,045)	(30.5%)	(193,941)	(115,358)	68.1%
<b>Profit before income tax</b>	E5	<b>2,279,797</b>	<b>2,776,739</b>	(17.9%)	<b>6,028,476</b>	<b>8,424,247</b>	(28.4%)
Income tax expense	E6	(865,351)	(879,862)	(1.6%)	(1,914,970)	(2,280,599)	(16.0%)
<b>Profit after tax</b>		<b>1,414,446</b>	<b>1,896,877</b>	(25.4%)	<b>4,113,506</b>	<b>6,143,648</b>	(33.0%)
<b>Non-controlling interests</b>		-	-	-	-	-	-
<b>Profit for the period</b>		<b>1,414,446</b>	<b>1,896,877</b>	(25.4%)	<b>4,113,506</b>	<b>6,143,648</b>	(33.0%)
Profit for the period		<b>1,414,446</b>	<b>1,896,877</b>	(25.4%)	<b>4,113,506</b>	<b>6,143,648</b>	(33.0%)
<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		(648,293)	(1,392,036)	(53.4%)	(493,600)	(1,608,466)	(69.3%)
<b>Total comprehensive income for the period</b>		<b>766,153</b>	<b>504,841</b>	51.8%	<b>3,619,906</b>	<b>4,535,182</b>	(20.2%)
Earnings per share:	E7						
Basic (SGD in cent)		1.02	1.36	(25.0%)	2.96	4.42	(33.0%)
Diluted (SGD in cent)		1.02	1.36	(25.0%)	2.96	4.42	(33.0%)

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

	Note	Group 31 Dec 23 S\$	Group 30 Jun 23 S\$	Company 31 Dec 23 S\$	Company 30 Jun 23 S\$
<b>Non-current assets</b>					
Property, plant and equipment	E9	23,596,331	25,445,458	-	-
Right-of-use assets		2,357,717	2,119,176	-	-
Investment property	E10	271,996	280,958	-	-
Subsidiaries		-	-	29,095,544	29,095,544
Trade and other receivables	E11	656,158	488,744	-	-
Deferred tax asset		19,989	22,072	-	-
		26,902,191	28,356,408	29,095,544	29,095,544
<b>Current assets</b>					
Inventories		4,196,393	4,323,055	-	-
Trade and other receivables	E11	10,656,528	11,244,667	1,319,818	1,546,791
Cash and cash equivalents		14,969,428	14,266,863	2,688,258	2,326,039
		29,822,349	29,834,585	4,008,076	3,872,830
<b>Total assets</b>		56,724,540	58,190,993	33,103,620	32,968,374
<b>Shareholders' equity</b>					
Share capital	E12	14,782,931	14,782,931	14,782,931	14,782,931
Reserves		(2,489,948)	(1,996,348)	-	-
Accumulated profits		33,598,017	33,655,467	17,828,070	17,467,364
		45,891,000	46,442,050	32,611,001	32,250,295
<b>Non-current liabilities</b>					
Deferred tax liabilities		1,470,134	1,591,500	214,641	206,203
Trade and other payables	E13	522,355	713,584	-	-
Provisions	E14	354,886	327,091	-	-
Lease liabilities		1,006,237	1,012,723	-	-
		3,353,612	3,644,898	214,641	206,203
<b>Current liabilities</b>					
Trade and other payables	E13	4,724,672	5,908,553	276,795	509,459
Lease liabilities		1,452,225	1,183,468	-	-
Current tax payable		1,303,031	1,012,024	1,183	2,417
		7,479,928	8,104,045	277,978	511,876
Total liabilities		10,833,540	11,748,943	492,619	718,079
<b>Total equity and liabilities</b>		56,724,540	58,190,993	33,103,620	32,968,374

**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 2022	14,782,931	144,547	27,959	43,349,450	58,304,887
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	6,143,648	6,143,648
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	(1,608,466)	-	-	(1,608,466)
Total comprehensive income for the period	-	(1,608,466)	-	6,143,648	4,535,182
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax-exempt) in respect of FY2022	-	-	-	(11,122,550)	(11,122,550)
Total transactions with owners of the Company	-	-	-	(11,122,550)	(11,122,550)
<b>As at 31 December 2022</b>	<b>14,782,931</b>	<b>(1,463,919)</b>	<b>27,959</b>	<b>38,370,548</b>	<b>51,717,519</b>
As at 1 July 2023	14,782,931	(2,004,754)	8,406	33,655,467	46,442,050
<b>Total comprehensive income for the period-</b>					
Profit for the period	-	-	-	4,113,506	4,113,506
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	(493,600)	-	-	(493,600)
Total comprehensive income for the period	-	(493,600)	-	4,113,506	3,619,906
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Final dividend of 3.0 cents per share (one tier tax-exempt) in respect of FY2023	-	-	-	(4,170,956)	(4,170,956)
Total transactions with owners of the Company	-	-	-	(4,170,956)	(4,170,956)
<b>As at 31 December 2023</b>	<b>14,782,931</b>	<b>(2,498,354)</b>	<b>8,406</b>	<b>33,598,017</b>	<b>45,891,000</b>

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	<b>Share Capital</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Profits</b>	<b>Total</b>
	S\$	S\$	S\$	S\$
<b>The Company</b>				
As at 1 July 2022	14,782,931	-	24,020,106	38,803,037
<b>Total comprehensive income for the period-</b> Profit for the period	-	-	7,453,656	7,453,656
Total comprehensive income for the period	-	-	7,453,656	7,453,656
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Final dividend of 6.0 cents per share & special dividend of 2.0 cent per share (one tier tax-exempt) in respect of FY2022	-	-	(11,122,550)	(11,122,550)
Total transactions with owners of the Company	-	-	(11,122,550)	(11,122,550)
<b>As at 31 December 2022</b>	<b>14,782,931</b>	<b>-</b>	<b>20,351,212</b>	<b>35,134,143</b>
As at 1 July 2023	14,782,931	-	17,467,364	32,250,295
<b>Total comprehensive income for the period:</b> Profit for the period	-	-	4,531,662	4,531,662
Total comprehensive income for the period	-	-	4,531,662	4,531,662
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Final dividend of 3.0 cents per share (one tier tax-exempt) in respect of FY2023	-	-	(4,170,956)	(4,170,956)
Total transactions with owners of the Company	-	-	(4,170,956)	(4,170,956)
<b>As at 31 December 2023</b>	<b>14,782,931</b>	<b>-</b>	<b>17,828,070</b>	<b>32,611,001</b>

**D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASHFLOW FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

	GROUP			
	Q2		Half year	
	Oct to Dec 2023 S\$	Oct to Dec 2022 S\$	Jul to Dec 2023 S\$	Jul to Dec 2022 S\$
<b>Cash flows from operating activities</b>				
Profit for the period	1,414,446	1,896,877	4,113,506	6,143,648
Adjustments for:				
Depreciation of property, plant and equipment	1,646,002	1,668,813	3,311,746	3,367,495
Depreciation of investment property	3,264	3,452	6,585	6,983
Property, plant and equipment written off	5,696	41	8,384	48
Gain on disposal of property, plant and equipment	(8,265)	(6,372)	(9,560)	(6,372)
Interest income	(56,860)	(50,347)	(109,859)	(90,143)
Interest expense on lease liabilities	45,932	20,895	96,826	38,432
Tax expense	865,351	879,862	1,914,970	2,280,599
<b>Operating profit before changes in working capital</b>	<b>3,915,566</b>	<b>4,413,221</b>	<b>9,332,598</b>	<b>11,740,690</b>
Inventories	204,511	(137,238)	76,669	162,701
Trade and other receivables	1,166,065	2,540,166	300,754	3,745,830
Trade and other payables	(801,027)	824,704	(984,849)	(1,133,879)
Cash generated from operations	4,485,115	7,640,853	8,725,172	14,515,342
Income tax paid	(1,049,760)	(1,438,247)	(1,734,887)	(2,216,240)
<b>Net cash from operating activities</b>	<b>3,435,355</b>	<b>6,202,606</b>	<b>6,990,285</b>	<b>12,299,102</b>
<b>Cash flows from investing activities</b>				
Payment of property, plant and equipment	(711,411)	(1,798,144)	(1,297,795)	(2,512,696)
Proceeds from disposal of property, plant and equipment	14,497	21,357	15,793	21,357
Interest received	62,335	50,609	104,734	80,454
<b>Net cash used in investing activities</b>	<b>(634,579)</b>	<b>(1,726,178)</b>	<b>(1,177,268)</b>	<b>(2,410,885)</b>
<b>Cash flows from financing activities</b>				
Lease paid	(395,753)	(314,757)	(774,730)	(642,314)
Dividends paid	(4,170,956)	(11,122,550)	(4,170,956)	(11,122,550)
<b>Net cash used in financing activities</b>	<b>(4,566,709)</b>	<b>(11,437,307)</b>	<b>(4,945,686)</b>	<b>(11,764,864)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,765,933)</b>	<b>(6,960,879)</b>	<b>867,331</b>	<b>(1,876,647)</b>
Cash and cash equivalents at beginning of period	16,779,181	25,121,079	14,122,013	20,210,293
Effect of exchange rate fluctuations	(187,420)	(298,256)	(163,516)	(471,702)
<b>Cash and cash equivalents at the end of period</b>	<b>14,825,828</b>	<b>17,861,944</b>	<b>14,825,828</b>	<b>17,861,944</b>

Note:

(i) Cash and cash equivalent is derived from:

	Group 31 Dec 23 S\$	Group 31 Dec 22 S\$
Cash and cash equivalent balances	14,969,428	18,014,293
Less: Pledged cash placed with bank	(143,600)	(152,349)
	14,825,828	17,861,944

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

### **E1 Corporate information**

Micro-Mechanics (Holdings) Ltd. (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for second quarter and half year ended 31 December 2023 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 2023.

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 2023, 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 adopted the following SFRS(I) and amendments to SFRS(I) for the first time for the annual period beginning on 1 July 2023:

- Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current
- SFRS(I) 17 Insurance Contracts and Amendments to SFRS(I) 17 Insurance Contracts
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies
- Amendments to SFRS(I) 1-8: Definition of Accounting Estimates
- Amendments to SFRS(I) 16: Lease Liability in a Sale and Leaseback

The adoption of the above SFRS(I) and amendments to SFRS(I) does not have a material effect on the financial statements of the Group and of the Company.

**E3 Seasonal operations**

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

**E4 Revenue**

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

**Revenue breakdown by Geographical Market**

Country	Group									
	2Q24		2Q23		%	1H24		1H23		%
	S\$	%	S\$	%	change	S\$	%	S\$	%	change
Singapore	1,070,182	8%	2,264,351	14%	(53%)	2,197,949	7%	4,983,350	14%	(56%)
Malaysia	2,277,270	17%	2,434,124	15%	(6%)	4,871,301	17%	5,347,453	14%	(9%)
Philippines	785,870	6%	1,108,974	7%	(29%)	1,686,368	6%	2,694,973	7%	(37%)
Thailand	213,430	1%	262,373	1%	(19%)	520,382	2%	652,793	2%	(20%)
China	4,927,856	37%	4,368,380	26%	13%	10,261,587	35%	9,903,003	27%	4%
USA	2,491,378	19%	4,542,738	27%	(45%)	6,212,809	21%	9,394,220	26%	(34%)
Europe	633,805	5%	690,355	4%	(8%)	1,357,073	5%	1,583,524	4%	(14%)
Japan	219,607	1%	205,820	1%	7%	452,849	1%	443,232	1%	2%
Taiwan	761,778	5%	702,230	4%	8%	1,569,335	5%	1,564,161	4%	0%
Rest of world	121,210	1%	141,292	1%	(14%)	222,839	1%	347,726	1%	(36%)
<b>Total</b>	<b>13,502,386</b>	<b>100%</b>	<b>16,720,637</b>	<b>100%</b>	<b>(19%)</b>	<b>29,352,492</b>	<b>100%</b>	<b>36,914,435</b>	<b>100%</b>	<b>(21%)</b>

**E5 Profit before income tax**

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

	Q2			Half year		
	Oct to Dec 2023 S\$	Oct to Dec 2022 S\$	Change	Jul to Dec 2023 S\$	Jul to Dec 2022 S\$	Change
<b>Income:</b>						
Gain on disposal of property, plant and equipment	8,265	6,372	29.7%	9,560	6,372	50.0%
Rental income	31,071	32,882	(5.5%)	62,690	65,062	(3.6%)
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	3,332	4,208	(20.8%)	16,990	15,873	7.0%
Others	65,347	66,949	(2.4%)	104,905	141,923	(26.1%)
<b>Expenses:</b>						
Depreciation of property, plant and equipment	1,286,224	1,367,045	(5.9%)	2,608,494	2,759,005	(5.5%)
Depreciation of investment property	3,264	3,452	(5.5%)	6,585	6,983	(5.7%)
Depreciation of right-of-use assets	359,778	301,768	19.2%	703,252	608,490	15.6%
Inventories written off	33,486	17,377	92.7%	54,135	37,977	42.5%
Property, plant and equipment written off	5,696	41	n.m.	8,384	48	n.m.
Trade receivables written off	480	141	n.m.	2,093	141	n.m.

n.m. : not meaningful

**E5 Profit before income tax (continued)**

	Q2			Half year		
	Oct to Dec 2023 S\$	Oct to Dec 2022 S\$	Change	Jul to Dec 2023 S\$	Jul to Dec 2022 S\$	Change
<b>Finance income:</b>						
Interest income from banks and others	56,860	50,347	12.9%	109,859	90,143	21.9%
<b>Finance cost:</b>						
Bank charges	21,037	21,011	0.1%	46,650	48,382	(3.6%)
Unwind of discount on restoration cost provision	4,581	3,443	33.1%	9,099	4,733	92.2%
Interest expense on lease liabilities	45,932	20,895	119.8%	96,826	38,432	151.9%
Exchange loss	81,292	143,043	(43.2%)	151,225	113,954	32.7%

**E6 Income tax expense**

	Q2		Half year	
	Oct to Dec 2023 S\$	Oct to Dec 2022 S\$	Jul to Dec 2023 S\$	Jul to Dec 2022 S\$
<b>Tax charge</b>				
Current period	859,415	721,341	1,878,205	1,966,975
Under provision in prior years	-	26	-	4,215
	859,415	721,367	1,878,205	1,971,190
<b>Deferred tax</b>				
Origination and reversal of temporary differences	5,936	158,495	41,232	309,409
Over provision in prior years	-	-	(4,467)	-
	5,936	158,495	36,765	309,409
Total tax expense	865,351	879,862	1,914,970	2,280,599

**E7 Earnings per share**

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

	Group (Half year) 6 months ended	
	31 Dec 2023	31 Dec 2022
Profit for the period	4,113,506	6,143,648
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)	2.96	4.42

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 31 Dec 23</b>	<b>Group 30 Jun 23</b>	<b>Company 31 Dec 23</b>	<b>Company 30 Jun 23</b>
Net Asset Value per ordinary share (cents)	33.01	33.40	23.46	23.20

The net asset value per ordinary share is calculated based on net assets of S\$45.9 million (30 June 2023: S\$46.4 million) and 139,031,881 (30 June 2023: 139,031,881) shares in issue at the end of the current financial period reported on/immediately preceding financial year.

**E9 Property, plant and equipment**

During the financial period ended 31 December 2023, the Group acquired property, plant and equipment with an aggregate cost of S\$1,052,923 (31 December 2022: S\$2,512,696). The amount of assets disposed for financial period ended 31 December 2023 was S\$14,616 (31 December 2022: S\$15,034).

**E10 Investment Property**

The property is an industrial building located in Malaysia. The fair value of the investment property as at 31 December 2023 was S\$2,872,000 (30 June 2023: S\$3,047,000). No independent valuer was engaged to perform the valuation. Management estimated the fair value of the Group's investment property by using the latest available market information for similar properties and recent experience and knowledge in the location and category of property being valued.

**E11 Trade and other receivables**

	<b>Group 31 Dec 23 S\$</b>	<b>Group 30 Jun 23 S\$</b>	<b>Company 31 Dec 23 S\$</b>	<b>Company 30 Jun 23 S\$</b>
Trade receivables	10,009,584	10,643,097	–	–
Other receivables	13,371	19,764	2,564	–
Deposits	406,338	409,694	–	–
Amount owing by subsidiaries (non-trade)	–	–	1,309,227	1,533,843
Financial assets at amortised cost	10,429,293	11,072,555	1,311,791	1,533,843
Advances to suppliers	289,138	107,228	–	–
Prepayments	506,883	505,126	8,027	12,948
GST receivables	74,206	44,102	–	–
Forward exchange contracts	13,166	4,400	–	–
Trade and other receivables	11,312,686	11,733,411	1,319,818	1,546,791
Non-current	656,158	488,744	–	–
Current	10,656,528	11,244,667	1,319,818	1,546,791
	11,312,686	11,733,411	1,319,818	1,546,791

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

There were no trade receivables classified under non-current assets as at 31 December 2023. The amount of S\$656,158 (30 June 2023: S\$488,744) classified as non-current comprised of mainly deposits for factory rental, utilities and advances to suppliers for the purchase of equipment.

**E11 Trade and other receivables (continued)**

The aging profile of the Group's trade and other receivables (excluding deposits) as at 31 December 2023 and 30 June 2023 were as follows:

	<b>Group 31 Dec 23</b>	<b>Group 30 Jun 23</b>	<b>Company 31 Dec 23</b>	<b>Company 30 Jun 23</b>
	S\$	S\$	S\$	S\$
Current	7,222,188	8,425,602	2,564	1,395,320
Past due 1-30 days	2,071,290	1,810,298	–	–
Past due 31-60 days	712,335	287,123	–	–
Past due 61-90 days	14,577	65,779	–	–
More than 90 days	2,565	74,059	1,309,227	138,523
	<b>10,022,955</b>	<b>10,662,861</b>	<b>1,311,791</b>	<b>1,533,843</b>

During the financial period ended 31 December 2023, the Group registered bad debts written off amounted to S\$2,093 (31 December 2022: S\$141). The outstanding amounts over 90 days in past years have been generally minimal. The Group's finance team has been conscientiously engaging customers to ensure timely collection of payment.

The Board has no immediate concern on the recoverability of the trade and other receivables balances as at 31 December 2023.

**E12 Share Capital**

	<b>31 December 2023</b>		<b>30 June 2023</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 31 December	139,031,881	14,782,931	139,031,881	14,782,931

There was no movement in the issued and paid-up capital of the Company since 30 June 2023.

There were no outstanding convertibles as at 31 December 2023 (30 June 2023: Nil).

The Company did not hold any treasury shares as at 31 December 2023 (30 June 2023: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 31 December 2023.

**E13 Trade and other payables**

	<b>Group 31 Dec 23</b>	<b>Group 30 Jun 23</b>	<b>Company 31 Dec 23</b>	<b>Company 30 Jun 23</b>
	S\$	S\$	S\$	S\$
Trade payables	536,313	726,583	–	–
Other payables	1,085,633	1,442,220	37,626	31,182
Amount owing to subsidiaries (non-trade)	–	–	11,400	–
Accrued expenses	3,087,503	3,854,680	227,769	478,277
Advances from customers	46,560	75,661	–	–
Forward exchange contracts	–	38,595	–	–
Provision for retirement benefits	491,018	484,398	–	–
	<b>5,247,027</b>	<b>6,622,137</b>	<b>276,795</b>	<b>509,459</b>
Non-current	522,355	713,584	–	–
Current	4,724,672	5,908,553	276,795	509,459
	<b>5,247,027</b>	<b>6,622,137</b>	<b>276,795</b>	<b>509,459</b>

**E14 Borrowings**

The Group does not have any bank borrowings as at 31 December 2023 and 30 June 2023.

**E15 Financial assets and financial liabilities**

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

	Financial assets at amortised cost S\$	Designated at fair value S\$	Other financial liabilities S\$	Total carrying amount S\$	Fair value S\$
<b>Group</b>					
<b>31 December 2023</b>					
Trade and other receivables*	10,429,293	–	–	10,429,293	
Forward exchange contracts - asset	–	13,166	–	13,166	13,166
Cash and cash equivalents	14,969,428	–	–	14,969,428	
	<u>25,398,721</u>	<u>13,166</u>	<u>–</u>	<u>25,411,887</u>	
Trade and other payables**	–	–	(2,294,112)	(2,294,112)	
<b>30 June 2023</b>					
Trade and other receivables*	11,072,555	–	–	11,072,555	
Forward exchange contracts - asset	–	4,400	–	4,400	4,400
Cash and cash equivalents	14,266,863	–	–	14,266,863	
	<u>25,339,418</u>	<u>4,400</u>	<u>–</u>	<u>25,343,818</u>	
Trade and other payables**	–	–	(2,825,108)	(2,825,108)	
Forward exchange contracts - liability	–	(38,595)	–	(38,595)	(38,595)
	<u>–</u>	<u>(38,595)</u>	<u>(2,825,108)</u>	<u>(2,863,703)</u>	
<b>Company</b>					
<b>31 December 2023</b>					
Trade and other receivables*	1,311,791	–	–	1,311,791	
Cash and cash equivalents	2,688,258	–	–	2,688,258	
	<u>4,000,049</u>	<u>–</u>	<u>–</u>	<u>4,000,049</u>	
Trade and other payables**	–	–	(276,795)	(276,795)	
<b>30 June 2023</b>					
Trade and other receivables*	1,533,843	–	–	1,533,843	
Cash and cash equivalents	2,326,039	–	–	2,326,039	
	<u>3,859,882</u>	<u>–</u>	<u>–</u>	<u>3,859,882</u>	
Trade and other payables**	–	–	(509,459)	(509,459)	

\* 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.

**E15 Financial assets and financial liabilities (continued)**

*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).

<b>Group</b>	<b>Level 2 S\$</b>	<b>Total S\$</b>
<b>31 December 2023</b>		
Forward exchange contracts – asset	13,166	13,166
<b>30 June 2023</b>		
Forward exchange contracts – asset	4,400	4,400
Forward exchange contracts – liability	(38,595)	(38,595)
	<hr/>	<hr/>

**E16 Segment reporting**

**Operating Segments - 1<sup>st</sup> half 2024**

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Total revenue from external customers	7,072,949	5,128,968	1,778,734	5,432,831	9,939,010	-	29,352,492
Inter-segment revenue	2,953,367	601,550	190,308	1,360	-	(3,746,585)	-
<b>Total revenue</b>	<b>10,026,316</b>	<b>5,730,518</b>	<b>1,969,042</b>	<b>5,434,191</b>	<b>9,939,010</b>	<b>(3,746,585)</b>	<b>29,352,492</b>
Segment result	1,749,990	2,285,346	277,106	(1,146,512)	3,364,447	(102,284)	6,428,093
Unallocated expenses							(399,617)
Profit from operations							6,028,476
Income tax expense	(292,280)	(557,417)	(35,984)	(4,069)	(862,953)	(162,267)	(1,914,970)
Net profit for the period							4,113,506
Segment assets	17,842,427	10,225,422	2,750,146	11,931,932	11,782,066	(506,303)	54,025,690
Unallocated assets							2,698,850
Others							
<b>Total assets</b>							<b>56,724,540</b>
Segment liabilities	(2,792,454)	(544,773)	(888,993)	(1,643,084)	(1,857,888)	(67,788)	(7,794,980)
Unallocated liabilities							
Income tax	(1,572,589)	(590,496)	(20,027)	-	(374,228)	(215,825)	(2,773,165)
Others							(265,395)
<b>Total liabilities</b>							<b>(10,833,540)</b>
Other segment information:							
Capital expenditure	436,764	201,823	161,500	68,109	184,727	-	1,052,923
Depreciation	1,081,571	354,167	243,337	1,175,958	468,753	(5,455)	3,318,331
Non-current assets	10,445,226	4,230,953	1,717,313	7,030,258	3,571,871	(93,430)	26,902,191

**Major customers**

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	S\$	S\$	S\$	S\$	S\$	S\$
<b>1<sup>st</sup> half 2024</b>						
Revenue	849,179	857,702	1,294,379	4,694,673	1,287,315	8,983,248
Number of customers	1	1	4	4	1	11

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Condensed Interim Financial Statements for Second Quarter and Half Year Ended 31 December 2023

**Operating Segments - 1<sup>st</sup> half 2023**

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

**Major customers**

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

	Singapore S\$	Malaysia S\$	The Philippines S\$	USA S\$	China S\$	Total S\$
<b>1<sup>st</sup> half 2023</b>						
Revenue	1,131,085	2,221,317	2,282,773	9,419,115	1,611,984	16,666,274
Number of customers	1	3	4	4	1	13

**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 LISTING RULE APPENDIX 7.2

### F1 Review

The condensed interim consolidated statement of financial position of Micro-Mechanics (Holdings) Ltd and its subsidiaries as at 31 December 2023 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 2023 was not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

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

Not applicable.

### F2 Review of Group Performance

#### REVIEW OF PROFIT AND LOSS

##### *Semiconductor Industry Review*

According to the Semiconductor Industry Association (SIA), global semiconductor sales totaled US\$48.0 billion during the month of November 2023, an increase of 5.3% year-on-year (yoy) compared to US\$45.6 billion in November 2022, and higher by 2.9% month-on-month (mom) from US\$46.6 billion in October 2023.

The SIA said that worldwide semiconductor sales in November increased for the first time on a yoy basis since August 2022 and for the ninth consecutive time on a mom basis. The SIA said this demonstrates clear, positive momentum for chip demand and indicates that the market is continuing to gain strength. Looking ahead, SIA said the global semiconductor market is projected to experience double-digit growth in 2024.

In its Semiconductor Market Forecast released on 28 November 2023, the World Semiconductor Trade Statistics Organization (WSTS) has revised its growth forecasts slightly higher to reflect improvements in certain end-markets. The WSTS is now anticipating that global semiconductor sales will show a single-digit contraction of 9.4% to US\$520 billion in 2023. For 2024, WSTS is expecting a vigorous upswing in the worldwide semiconductor market. It is projecting an increase of 13.1% increase to US\$588 billion this year, fuelled largely by the Memory sector.

Note: The SIA report covers the chips sales for semiconductor industry, and while the Group's manufacturing of high precision tools and parts is part of the semiconductor industry's supply chain, the general trends of chips sales in the semiconductor industry may not always correlate with the performance of our specific industry segment in any particular time period.

##### *Group Revenue*

		1Q	2Q	3Q	4Q	Full Year
REVENUE	FY2024	S\$15,850,106	S\$13,502,386	NA	NA	NA
	FY2023	S\$20,193,798	S\$16,720,637	S\$14,912,076	S\$15,195,482	S\$67,021,993
	% growth	(21.5%)	(19.2%)	NA	NA	NA

For the three months ended 31 December 2023 (2Q24), the Group's revenue decreased 19.2% yoy to S\$13.5 million from S\$16.7 million in 2Q23. For the six months ended 31 December 2023 (1H24), the Group's revenue decreased 20.5% to S\$29.4 million as compared to S\$36.9 million in 1H23. The lower revenue performance is generally in line with the soft conditions in the global semiconductor industry, particularly the Wafer-Fabrication Equipment ("WFE") sector which had a significant impact on the sales of our subsidiary in the USA, during the financial period.

**Revenue breakdown by Geographical Market**

Country	Group										
	1Q24 S\$ m	2Q24 S\$ m	%	2Q23 S\$ m	%	% change	1H24 S\$ m	%	1H23 S\$ m	%	% change
Singapore	1.1	1.1	7.9%	2.3	13.5%	(52.7%)	2.2	7.5%	5.0	13.5%	(55.9%)
Malaysia	2.6	2.3	16.9%	2.4	14.6%	(6.4%)	4.9	16.6%	5.3	14.5%	(8.9%)
Philippines	0.9	0.8	5.8%	1.1	6.6%	(29.1%)	1.7	5.7%	2.7	7.3%	(37.4%)
Thailand	0.3	0.2	1.6%	0.3	1.6%	(18.7%)	0.5	1.8%	0.7	1.8%	(20.3%)
China	5.4	4.9	36.5%	4.4	26.1%	12.8%	10.3	35.0%	9.9	26.8%	3.6%
USA	3.8	2.5	18.5%	4.5	27.2%	(45.2%)	6.2	21.2%	9.4	25.4%	(33.9%)
Europe	0.7	0.6	4.7%	0.7	4.1%	(8.2%)	1.4	4.6%	1.6	4.3%	(14.3%)
Japan	0.2	0.2	1.6%	0.2	1.2%	6.7%	0.4	1.5%	0.4	1.2%	2.2%
Taiwan	0.8	0.8	5.6%	0.7	4.2%	8.5%	1.6	5.3%	1.6	4.2%	0.3%
Rest of world	0.1	0.1	0.9%	0.1	0.9%	(14.2%)	0.2	0.8%	0.3	1.0%	(35.9%)
<b>Total</b>	15.9	13.5	100%	16.7	100%	(19.2%)	29.4	100%	36.9	100%	(20.5%)

On a geographical basis, the Group registered lower sales in 2Q24 across the majority of our markets with the exception of China, Taiwan and Japan.

Despite the slower conditions in the semiconductor industry, our sales in the China market grew 12.8% yoy to S\$4.9 million in 2Q24, as domestic demand was driven by the electric vehicle and mobile phone sectors, as well as inventory build-up ahead of the Chinese New Year holiday season. China remains as our largest geographical market and made a contribution of 36.5% to the Group's revenue during the quarter.

Sales in the USA market declined by 45.2% yoy to S\$2.5 million in 2Q24 in tandem with ongoing weakness in the WFE sector. The USA was our second largest market and accounted for 18.5% of Group revenue in 2Q24.

The Group's sales in Malaysia was also softer at S\$2.3 million in 2Q24 as compared to S\$2.4 million in 2Q23. It contributed 16.9% to the Group's revenue. Sales in the Singapore market contracted considerably by 52.7% yoy to S\$1.1 million in 2Q24, from S\$2.3 million in 2Q23, due mainly to lower sales of WFE products to a customer based in Singapore.

**Capacity Utilisation**

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2024	50%	41%	NA	NA	NA
FY2023	61%	55%	50%	50%	54%	

Our average capacity utilisation rate decreased to 41% in 2Q24 from 55% in 2Q23, in tandem with the decrease in the Group's revenue.

**Gross Profit (GP) Margin**

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2024	48.8%	45.9%	NA	NA	NA
FY2023	51.0%	45.2%	43.8%	44.7%	46.5%	

The Group's gross profit decreased by 18.0% yoy to S\$6.2 million in 2Q24 from S\$7.6 million in 2Q23. As the cost structure of the Group's operations are largely fixed in nature, the significant reduction in our revenue during 2Q24 has resulted in the under-absorption of costs. For 2Q24, the Group's gross profit margin was stable at 45.9% as

compared to 45.2% in 2Q23, but slid from 48.8% in 1Q24. The Group's GP margin declined to 47.5% in 1H24, versus 48.4% in 1H23.

***Other income, Distribution Cost, Administrative Expenses, Other Operating Expenses and Net Finance Costs***

Admin, Distribution, Other Operating Expenses, Net finance costs (net of other income)		1Q	2Q	3Q	4Q	Full Year
	FY2024	S\$3,982,469	S\$3,921,439	NA	NA	NA
	% of sales	25.1%	29.0%			
FY2023	S\$4,651,508	S\$4,787,796	S\$4,188,560	S\$3,932,982	S\$17,560,846	
% of sales	23.0%	28.6%	28.1%	25.9%	26.2%	

The Group's other income of S\$108k in 2Q24 was comparable to S\$110k in 2Q23.

We continue to keep a close watch on our expense structure. Our distribution costs was relatively stable at S\$0.7 million in 2Q24 as lower sales commissions were offset by an increase in business development expenses. Administrative expenses decreased by 10% to S\$2.4 million in 2Q24 from S\$2.7 million in 2Q23 due to lower payments of performance incentives.

Other operating expenses in 2Q24 decreased by 38.3% to S\$0.8 million, mainly as a result of the cost-reduction measures that were implemented at our USA plant during 4Q23.

In aggregate, the Group's administrative, distribution and other operating expenses (net of other income) declined to S\$3.9 million in 2Q24 as compared to S\$4.8 million in 2Q23. As a percentage of sales, these overhead expenses were slightly higher at 29.0% in 2Q24 compared to 28.6% in the same period a year ago.

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

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2024	S\$2,699,060	S\$1,414,446	NA	NA	NA
	FY2023	S\$4,246,771	S\$1,896,877	S\$1,635,486	S\$1,991,346	S\$9,770,480
% growth	(36.4%)	(25.4%)	NA	NA	NA	

As a result of the above, the Group's profit before tax decreased by 17.9% to S\$2.3 million in 2Q24 from S\$2.8 million in 2Q23.

Income tax expenses decreased to S\$865k in 2Q24 from S\$880k in 2Q23. The tax expenses included a provision of S\$161k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries. The Group's effective tax rate for 2Q24 increased to 38.0% in 2Q24 from 31.7% in 2Q23 due mainly to loss registered at our USA subsidiary during 2Q24.

After deducting income tax expenses, the Group's net profit decreased by 25.4% yoy to S\$1.4 million in 2Q24 from S\$1.9 million in 2Q23.

For 1H24, the Group's net profit decreased by 33.0% to S\$4.1 million from S\$6.1 million in 1H23. Net profit margin contracted to 14.0% in 1H24 as compared to 16.6% in 1H23.

Correspondingly, the Group's earnings per share decreased to 2.96 cents in 1H24 from 4.42 cents in 1H23.

***Dividend Payment***

The Board of Directors is declaring an interim dividend of 3 cents per share (one tier tax-exempt) in respect of 1H24 (6 cents per share for 1H23), which will be paid on 19 February 2024.

***Balance Sheet***

The Group remains in a sound financial position. As at 31 December 2023, it had a balance sheet with total assets of S\$56.7 million, shareholders' equity of S\$45.9 million, cash and cash equivalents of S\$15.0 million and no bank borrowings.

### *Long Term Assets*

As at 31 December 2023, non-current assets decreased to S\$26.9 million as compared to S\$28.4 million as at 30 June 2023.

### *Trade Receivables*

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2024	S\$11,126,896	S\$10,009,584	NA	NA
	≥ 90 days	0.1%	0.03%		
	Write-off	S\$1,613	S\$480		
	FY2023	S\$14,127,188	S\$11,246,346	S\$10,259,853	S\$10,643,097
	≥ 90 days	1.2%	0.2%	3.8%	0.7%
	Write-off	-	S\$141	-	-

Total trade receivables decreased to S\$10.0 million as at 31 December 2023 from S\$10.6 million as at 30 June 2023. Of this, S\$2.5k was outstanding for 90 days or more (S\$74k as at 30 June 2023). There were bad debts written off of approximately S\$2k that were recognised during 1H24 (1H23: S\$141).

### *Trade & Other Payables*

As at 31 December 2023, trade payables stood at S\$536k (30 June 2023: S\$727k) with minimal amount outstanding for 30 days or more. Non-trade payables totaled S\$1.1 million (30 June 2023: S\$1.4 million).

### *Long term liabilities*

As at 31 December 2023, the deferred tax liabilities was S\$1.5 million as compared to S\$1.6 million as at 30 June 2023.

### *Inventory*

The Group continuously manages its inventory to avoid over-stocking and minimise write-offs and obsolesces. Our inventory of S\$4.2 million as at 31 December 2023 (30 June 2023: S\$4.3 million) was 7.1% of annualised sales (30 June 2023: 6.5%). The amount of inventory written off in 2Q24 was S\$33k, as compared to S\$17k in 2Q23.

### *Capital Expenditure*

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2024	S\$443,959	S\$608,964	NA	NA	NA
	% of sales					
	FY2023	S\$714,552	S\$1,798,144	S\$426,168	S\$1,016,742	S\$3,955,606
	% of sales					5.9%

The Group's capital expenditure in 2Q24 amounted to S\$609k. This consisted of approximately S\$350k for the acquisition of new machines and accessories for our factories, with the balance used for upgrading of office premises and equipment. For the whole of FY2024, we have adjusted our capital expenditure budget to about S\$3 million from S\$4 million previously.

### *Cash Flow Analysis*

The Group generated net cash from operations of S\$3.4 million in 2Q24 (S\$6.2 million in 2Q23). After deducting net cash used in investing activities of S\$4.6 million and net cash used in financing activities of S\$0.6 million, we ended 2Q24 with cash and cash equivalents of S\$15.0 million, which included S\$0.2 million in pledged deposits.

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

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

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

During 2Q24, we continued to experience significant challenges due to slow market conditions in the semiconductor industry, particularly the WFE sector which had a significant impact on the sales of our subsidiary in the USA. As a result, the Group's revenue decreased 19.2% to S\$13.5 million from S\$16.7 million in the same period a year ago while net profit declined 25.4% to S\$1.4 million from S\$1.9 million in 2Q23.

**Business Strategy / Plans**

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

Because a single defect can cause disastrous consequences in the ultra-complex manufacturing process of semiconductors, our customers need the parts and tools that we make to be flawless. In the future, we think there may only be a handful of suppliers capable of meeting the increasingly stringent requirements of the semiconductor industry. We remain focused on our goal to become a leading *Next Generation Supplier* of high precision tools and parts used in process-critical applications for the wafer-fabrication and assembly processes of the semiconductor industry.

Whether it is the adverse impact of a market downturn, geopolitical unrest or a host of other unforeseen events, we are always mindful of the need to have goals, structures and processes in place that make it easier for the Group to adapt to changes in the operating environment and ensure business continuity. We intend to continue focusing on a handful of key areas which include:

- **Being a responsive, cost-effective and resilient supplier** to our customers by continually automating our operations and working to reduce or eliminate tedious processes that are difficult for us to find the right people and also prone to human error.

We are presently working diligently to implement a number of key initiatives designed to streamline labor-intensive work areas, better digitalise our processes and build a stronger, more flexible team of people across our five factories worldwide. To ensure we have the requisite capacity and capabilities, the Group made capital investments of S\$0.6 million during 2Q24 (S\$1.8 million in 2Q23) which brought our total capital expenditure in 1H24 to S\$1.1 million. For the whole of FY2024, we have adjusted our budget for capital expenditure from S\$4 million to about S\$3 million, which will be spent mainly for new production equipment.

- **Maintaining a healthy gross profit margin** through our relentless focus on strengthening our GP margin with initiatives that enhance the value we bring to our customers, improve quality and streamline the way our plants operate. Although rapidly rising costs for everything from materials to energy and manpower over the past few years have exerted significant downward pressure on our GP margin, we maintained a healthy GP margin of 45.9% in 2Q24 compared to 45.2% in the same period a year ago.
- **Building a lean, effective and resilient operation** by maintaining a tight rein on expenses while striving for operational effectiveness and resilience. With a careful watch over expenses and a stringent process for determining and approving major expenses and investments, the Group was able to reduce overhead expenses in 2Q24 to S\$3.9 million from S\$4.8 million in the same period a year ago. As we move forward, we intend to continue working to improve the way we use our people and other resources to support the Group's customers and core manufacturing activity.

During 2H23, we began an initiative called "**Five-Star Factory**" with the goal to more clearly define and implement the fundamentals that we believe each of our plants need to achieve 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;
- continuing to train and develop all our people, and constantly working on succession planning to ensure continuity of key management and leadership positions; 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.

At our plant in California (“MMUS”), we made a strategic decision in 4Q23 to narrow our engineering focus to four main product areas for the Wafer-Fabrication Equipment (“WFE”) sector in order to develop a compelling offering and competitive differentiation. As part of this strategy, we eliminated about S\$2 million in annual operating costs at MMUS. However, as a result of ongoing weakness in the WFE market, MMUS reported a segment loss of S\$1.1 million in 1H24. Although its results included non-cash depreciation expenses of S\$1.2 million, we took additional steps during 2Q24 to reduce MMUS’ annual operating costs by another S\$1.3 million. While MMUS’ financial performance is certainly not what we have been striving so hard for, we continue to believe that building a strong foothold in the WFE market for manufacturing process-critical parts is the right long-term strategy for the Group. We will continue to provide progress updates during 2H24.

### **Leadership Update**

On 1 January 2023, we were pleased to appoint Mr. Kyle Borch as Deputy CEO and Executive Director. After traveling extensively to our plants in Asia over the past year, Mr. Kyle Borch will begin 2024 based at the Group’s headquarters in Singapore where he will continue to oversee the operations of our four plants in Asia and focus on implementing our *Five-Star Factory* initiative.

At the end of January 2024, the Group’s former Chief Financial Officer, Mr. Chow Kam Wing, will complete a one-year service period as an advisor and fully retire from the Group. The Board of Directors wishes to thank Mr. Chow for his invaluable assistance during the last year which has helped the Group, and especially Ms. Wendy Tan, our VP for Finance, to smoothly complete the transition of responsibilities.

### **Good Governance & Financial Discipline**

Since becoming a publicly-listed company in 2003, we have worked hard to make good governance a practical and everyday methodology for aligning the way our people at all levels – from the Board Room to the Shop Floor - make decisions and take actions to enhance and protect stakeholder value. Over the past 20 years, Micro-Mechanics has been recognised with over 30 awards for our efforts to practice good governance, transparency and investor relations.

This includes being ranked 14th out of 474 companies in the latest Singapore Governance and Transparency Index 2023 published on 4 August 2023. At the Singapore Corporate Awards (SCA) on 6 September 2023, the Group won the Bronze Award for Best Managed Board in the “companies with S\$300 million to less than S\$1 billion in market capitalisation” category and more recently on 8 November 2023, the Group was recognized by Securities Investors Association of Singapore (“SIAS”) with its *Most Transparent Company Award 2023 (Technology Category)* as well as the top award for *Shareholder Communications Excellence 2023 (Small Cap Category)*.

Our aim is to build a great manufacturing business with a strong balance sheet while fostering a culture of resourcefulness, discipline and careful decision making. During 2Q24, we generated S\$3.4 million in net cash from operating activities (S\$6.2 million in 2Q23). After deducting net cash used in investing activities of S\$4.6 million and net cash used in financing activities of S\$0.6 million, we ended 2Q24 with cash and cash equivalents of S\$15.0 million, which included S\$0.2 million in pledged deposits.

### **Shareholders’ Returns**

Since listing on the SGX in 2003, the Group has regularly exceeded our dividend policy to distribute at least 40% of annual earnings. However, given the current uncertain economic and geopolitical conditions, the Board believes that it may now be prudent for the Group to retain a higher amount of cash than we have typically held on our balance sheet.

For FY2023, the Board paid total dividends of 9 cents per share which translated to a payout ratio of 128%. For 1H24, the Board of Directors is pleased to declare a one-tier tax-exempt interim dividend of 3 cents per ordinary share (31 December 2022: one-tier tax exempt interim dividend of 6 cents per ordinary share). This will bring the cumulative dividends since becoming a listed company to 125.9 cents per share which translates into a return of about 684% based on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.

## **F5. Dividend Information**

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

Any dividend recommended for the current financial period reported on?

Yes. The Board of Directors are pleased to declare a one tier tax-exempt interim dividend of 3 cents per ordinary share (31 December 2022: one tier tax-exempt interim dividend of 6 cents per ordinary share) in respect of the half year ended 31 December 2023.

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

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

Yes. An interim dividend of 6 cents per ordinary share (one tier tax-exempt) was declared in respect of FY2023.

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

The dividend payment will be made on 19 February 2024.

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

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

Duly completed registrable transfers received by the Company's Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 up to 5:00 p.m. on 6 February 2024 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with the Central Depository (Pte) Limited are credited with shares at 5:00 p.m. on 6 February 2024 will be entitled to the proposed dividend payable on 19 February 2024.

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

Not applicable.

## **F6. Interested person transactions**

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

For the half year ended 31 December 2023, the Group has made rental payment of US\$280,686 (31 December 2022: US\$216,000) and electrical services payment of US\$105,000 (31 December 2022: US\$97,203) 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.

At the beginning of FY2024, the Group renewed the lease with Sarcadia LLC for the factory used by MMUS for two years through to 30 June 2025 at a fixed monthly rent of US\$46,781. Based on an independent market evaluation, the lease is approximately 30% below the prevailing market rate.

In addition, the agreement with Sarcadia LLC includes a flat monthly charge of US\$17,500 for solar-generated electricity. During 1H24, MMUS used a total of 731,949 kWh of electricity of which 481,973 kWh or about 66% of the total facility requirement was generated by approximately 2,000 solar panels. During 1H24, the cost of solar-generated electricity averaged US\$0.21 per kWh while the cost of electricity that MMUS purchased directly from the grid was about 95% higher with an average cost of US\$0.41 per kWh. At the end of 1H24, Sarcadia LLC completed the installation of approximately 500 additional solar panels with no rate change to the Group.

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

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

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

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

Not applicable.

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

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results of the Group and of the Company for the financial period ended 31 December 2023 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**Wendy Tan Wei Lee**  
**Company Secretary**  
29 January 2024