Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Micro-Mechanics (Holdings) Ltd.

Stock code: 5DD

Meeting details:
Date: 29 October 2021
Time: 9.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. For the financial year ended 30 June 2021, the group recorded revenue growth of 14.8% to $73.7 million. Net profit rose 23.3% to $18.1 million despite the challenging operating environment caused by the pandemic.

(i) **How is the group affected by the global semiconductor shortage? Is the group able to benefit from the current situation?**

Management's view is that the semiconductor industry is poised for a prolonged period of solid growth as chips become increasingly embedded in nearly every aspect of modern life, from today's smart phones to tomorrow's driverless cars (page 2). The group's continuing success will hinge on its ability to continue identifying opportunities and prioritising the initiatives and investments that enhance stakeholder value.

(ii) **Can management help shareholders understand the level of innovation and the level of differentiation in the products it sells? How different is a MMH consumable part compared to one from its competitor?**

The group invested $6.8 million in new machines to raise production capacity and to enhance manufacturing capabilities for the manufacturing facilities in Singapore and the USA. This was higher than the $4 million budgeted previously. Also, an additional $6 million in capital expenditure is planned for FY2022 (page 2). During FY2018 and FY2019, the group made total capital investments of $15.5 million on new equipment to improve the efficiency and productivity of the group's operations. In FY2020, the group invested $3.7 million in capital expenditure.

(iii) **Does management expect the trend of higher amounts of capital expenditure to persist? How much of the capital expenditure can be apportioned for the purposes of maintenance and growth?**

(iv) **What are the current production capacities and utilisation rates across its manufacturing facilities?**

(v) **How much of the group's success is due to the state-of-the-art hardware and how much of it is due to the group's heartware (which would include the group's mission of "Perfect Parts and Tools, On Time, Every Time")?**

(vi) **How well-positioned is the group to tap the opportunities in the 10 nm space? What is the reason for management's confidence?**

(vii) **What are some of the potential disruptive technologies that may affect the group? In addition, what are some of the top material risks that have been identified and tracked in the risk register by the Risk Management Committee?**

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Q2. On pages 14 to 16, management has provided details of the group's operations during the pandemic, including the safe management measures taken by management at the group's 5 manufacturing facilities. For instance, the manufacturing facility in Suzhou (MMSU) had not shut down its manufacturing operation and no employee took medical leave or hospitalisation leave related to COVID-19 while the Singapore site (MMS) had its manufacturing operation shut down for a day for disinfectant and cleaning.

(i) **Can management help shareholders understand if the group's manufacturing facilities would qualify as essential services and stand to receive (more) exemptions from governments' directives?**

Certain of the manufacturing facilities had to operate at between 30% and 50% staffing due to conditions imposed by the local government to control the spread of the pandemic in the past year.

(ii) **What is the impact on the group's operations under reduced staffing? Is the group able to function efficiently at 30% staffing level?**

(iii) **Did the group experience any increases in manufacturing defects as a result?**

(iv) **What are the key lessons learnt by the group as it adapted to the COVID measures which could then be used to improve its organisational/ operational agility even post-COVID?**

Q3. As disclosed in the corporate governance report, the group's internal audit function has been outsourced to a reputable auditing firm (Nexia TS Risk Advisory Pte Ltd) since 2011. The audit committee (AC) reviews the audit plan yearly; approves the internal audit schedule and plan; and reviews the activities of the internal auditor on a regular basis.

The internal audit in-charge is a qualified accountant with many years of internal audit experience. The internal audit has been carried out in accordance with the IIA standards (page 62).

(i) **Can the AC disclose the scope of the internal audit for FY2021 and for FY2022?**

(ii) **How was the internal audit carried out for the overseas subsidiaries in Malaysia, the PRC, the Philippines and the USA?**

(iii) **What were some of the key findings by the internal auditor?**

(iv) **In addition, does the AC practice the rotation of the internal audit in-charge (akin to the rotation of audit partner after five years)?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)