MICRO-MECHANICS®

FINANCIAL YEAR 2019
ANNUAL REPORT

CORPORATE PROFILE

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

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

The Group's strategy is to relentlessly pursue product and operational improvements while providing fast, effective and local support to its customers worldwide.

In addition to designing and manufacturing a market-leading range of consumable tools and parts used in the assembly and testing of semiconductors, the Group also engages in the contract manufacturing of precision parts and tools used in process-critical applications for the semiconductor wafer-fabrication industry.

Since listing on the Singapore Exchange in June 2003, Micro-Mechanics has received 29 awards in recognition of its high standards of corporate governance, quality of disclosure, transparency and investor relations. The Group has also received productivity awards for its continuing efforts to improve the efficiency and productivity of its operations.

MISSION STATEMENT

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

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CHAIRMAN'S STATEMENT

Dear stakeholders,

On behalf of our Board of Directors, I am pleased to report that Micro-Mechanics has had a profitable performance for our financial year ended 30 June 2019 ("FY2019") despite the challenging operating environment caused by a steep cyclical downturn in the global semiconductor industry and heightened global economic and geopolitical uncertainties.

In the following pages of this Annual Report, our Executive Management will provide a detailed review of the Group's financial and operational performance in FY2019 and outline our key operating strategies.

In keeping with our long-held practice of rewarding shareholders, the Group is proposing to distribute a final dividend of 5 cents per share and a special dividend of 1 cent per share. Subject to approval at the upcoming Annual General Meeting on 30 October 2019, we will pay these dividends on 19 November 2019. Together with the interim dividend of 4 cents per share, this will bring the Group's total dividend pay-out for FY2019 to 10 cents per share which is the same as FY2018 despite a moderation in our financial performance.

We are pleased that Micro-Mechanics continues to win recognition for our good corporate governance, transparency and investor relations practices. At the 19th Investors' Choice Awards 2018 on 25 September 2018, the Group received the Shareholder Communications Excellence Award (Small Cap) 2018 and Singapore Corporate Governance Award (Small Cap) 2018 from Securities Investors Association Singapore. Since our listing in 2003, the Group has received 29 governance related awards that recognise our efforts to establish best practices in corporate governance and transparency.

In addition, Micro-Mechanics continues to do well in the Singapore Governance and Transparency Index (SGTI) which is the leading index for assessing corporate governance practices of companies listed on the Singapore Exchange. In the latest SGTI released on 7 August 2019, Micro-Mechanics scored 101 points which raised our ranking to 17th out of 578 companies (excluding Reits and Business Trusts). We take pride in this achievement as the top 25 companies in the SGTI are mainly large capitalisation companies.

We are also striving to instil high standards of governance at the operational level. During FY2019, our factory in Singapore received the certification for conforming to the Anti-Bribery Management Systems standard ISO37001:2016 as well as successfully renewed its certification of Business Continuity Management Systems standard ISO22301:2012. As soon as is practicable, we plan to introduce and implement these best practices at all our worldwide facilities.

As has often been noted, transparency and good corporate governance are more than just ticking boxes on a scorecard and compliance. Indeed, accurate, complete and timely information is the foundation for sound decision making – not just for investors – but for everyone at Micro-Mechanics.

We intend to continue to 'walk the talk' and are working hard to build a strong corporate culture based on transparency, clear metrics of performance, stakeholder accountability with an unwavering commitment to good governance. We believe this will help our Board of Directors to create and protect shareholder value, ensure fair dealing with all our stakeholders and enable Micro-Mechanics to be a good corporate citizen with sustainable practices.

In closing, I would like to thank everyone at Micro-Mechanics, from the shop floor to the Board room, for their invaluable contributions to the Group. To my fellow directors, I sincerely appreciate your vision, sound judgement and practical advice. On behalf of the Board, I would like to thank our people for their commitment, teamwork and tireless commitment. We also wish to express our appreciation to our customers, business partners and suppliers for their continued support and patronage of Micro-Mechanics.

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

Sumitri Menon
Independent Non-Executive Chairman

EXECUTIVE MANAGEMENT REPORT

To all our stakeholders,

For the 12 months ended 30 June 2019 ("FY2019"), Micro-Mechanics' revenue decreased 7.3% to S$60.3 million from a record of S$65.1 million in FY2018, reflecting the cyclically slower conditions in the global semiconductor industry. Coupled with an increase in depreciation costs from capital investments that we made to strengthen our worldwide operations during the past two years, the Group's net profit decreased 24.5% to S$12.9 million in FY2019.

Continuing our focus on value creation

Although the steep industry downturn affected the Group's performance in FY2019, we remained focused on working to enhance the value that we create for customers. As the industry transitions to 10-nanometer and below device geometries, chip fabrication is becoming an increasingly difficult process. To enable our customers to achieve their production goals, we are working constantly to develop the proprietary materials and flawless processes that are needed to manufacture the critical tools and parts they will require. This is in line with Micro-Mechanics' mission to deliver *Perfect Parts and Tools, On-Time, Every Time* based on scalable, repeatable and cost-effective processes.

Ultimately, we believe that only a handful of suppliers will possess the unique capabilities, skilled personnel and intellectual property to meet the critical manufacturing requirements of the semiconductor industry.

As our customers also require suppliers who can deliver fast, effective and local support, we have been continually strengthening the capabilities of our five plants which are strategically located in our main geographical markets. In FY2019, the Group derived 91% of our revenue from customers in Singapore, Malaysia, the Philippines, China and the USA, where we have manufacturing facilities, and Taiwan, where we have a direct sales presence. China was our largest geographical market with sales of S$17.3 million and a contribution of 29% to Group revenue. The USA was our second largest geographical market with a contribution of 21% followed by Malaysia (19%), the Philippines (10%), Singapore (5%) and Taiwan (7%).

Working to improve our competitive edge

Because the time to specify, order and qualify new equipment can easily stretch beyond a year, it is difficult to align our investments in new equipment to short-term conditions in the semiconductor industry. During FY2018 and FY2019, the Group made total capital investments of S$15.5 million on new equipment to improve the efficiency and productivity of our worldwide operations. As a result, our total depreciation expenses increased to S$6.5 million in FY2019 from S$5.9 million in FY2018. For FY2020, we have a capital expenditure budget of between S$6 million and S$7 million.

Amid the slower industry conditions, we have maintained a consistent focus on the Group's gross profit margin as we believe this is a key indication of Micro-Mechanics' competitive strength and the value that we bring to customers. Through various operational strategies such as set-up time reduction, higher automation and smart-factory initiatives, we managed to keep our gross profit margin relatively steady at 53.7% in FY2019. Going forward, we intend to continue working to enhance the efficiency of our operations and focus on parts and tools that offer opportunities for attractive profit margins.

We also worked diligently throughout FY2019 to maintain a tight rein on overhead expenses. As a result, our total distribution, administrative and other expenses including other income increased by just 0.4% to S$15.3 million in FY2019. When measured as a percentage of sales, the Group's overhead expenses increased to 25.4% from 23.4% in FY2018.

With no bank borrowings to service and a careful watch over inventory and receivables, the Group generated net cash from operating activities of S$19.3 million in FY2019. After deducting net investing activities of S$3.2 million, which was primarily for the purchase of new equipment, and payments for interim and final dividends totalling S$13.9 million, the Group ended FY2019 in a strong financial position with S$21.9 million in cash (including S$0.2 million held as security deposits) and no bank borrowings.

EXECUTIVE MANAGEMENT REPORT

Because of the cyclical nature of the semiconductor industry, which makes it subject to periods of both strong growth and unexpected consolidation, one of the Group's most important goals is to maintain and strengthen our team of skilled and capable people during the sluggish periods. This will ensure that we are ready and in a good position when the industry's growth resumes. At the end of FY2019, we had 490 great people at Micro-Mechanics, which was a nominal increase from 485 at the end of FY2018.

Staying focused on our long-term goals

According to the Semiconductor Industry Association, global chip sales fell 14.5% in the first half of 2019. As a result, the World Semiconductor Trade Statistics expects worldwide chip sales to contract 12.1% to US$412 billion in 2019 amid growing global economic and geopolitical uncertainties.

Our philosophy is to stay focused on long-term goals and not get overly distracted by short-term variations in the industry. While this may result in the Group reporting lower profits in the short-term, we believe it is the correct approach for Micro-Mechanics to build sustainable growth and value for all stakeholders.

We believe the semiconductor industry is poised for a prolonged period of solid growth as chips are becoming increasingly embedded in nearly every aspect of modern life, from today's smart phones to tomorrow's driverless cars. Hence, the key to the Group's success lies in our continuing ability to seize long-term opportunities and correctly identify the initiatives and investments that bring value to our customers. Moving forward, we intend to continue automating our operations and building a flexible, capable and skilled work force.

While short-term business planning and forecasting remains difficult and continues to be clouded by a host of political and economic uncertainties, we understand what is required for the Group to sustain its growth over the long term. We intend to maintain our focus on customers and the value we bring to their businesses. Whether we design and manufacture a tool for a delicate semiconductor assembly process or machine a part used in a critical wafer-processing application, the Group's mission is clear: To deliver *Perfect Parts and Tools, On Time, Every Time* based on repeatable, scalable and cost-effective processes.

Appreciation

In closing, we would like to express our appreciation to all our people at Micro-Mechanics for their vision, teamwork and tireless commitment. Indeed, *People Make Everything Happen!*

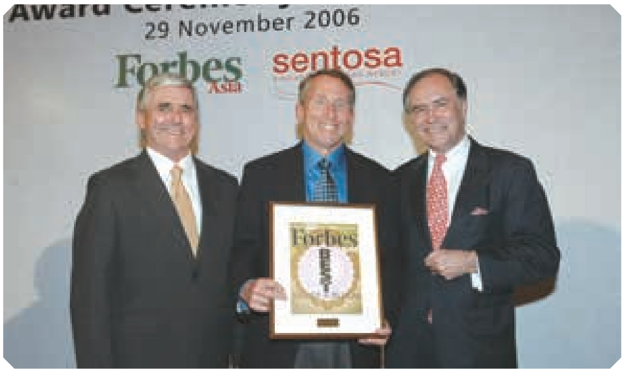
We look forward to continuing our work to build value for all the Group's stakeholders.

Christopher Reid Borch
Chief Executive Officer

Low Ming Wah
Chief Operating Officer

Chow Kam Wing
Chief Financial Officer

AWARDS AND ACCOLADES



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

The Group has an Investor Relations policy which can be found in the Corporate Governance section of this Annual Report.

SINGAPORE CORPORATE AWARDS

2018	Best CEO Award
2017	Gold Award – Best Managed Board Gold Award – Best Investor Relations
2016	Silver Award – Best Managed Board
2015	Silver Award – Best Managed Board Silver Award – Best Investor Relations
2014	Silver Award – Best Investor Relations
2013	Silver Award – Best Investor Relations
2012	Gold Award – Best Managed Board Silver Award – Best Investor Relations
2011	Silver Award – Best Investor Relations
2010	Bronze Award – Best Investor Relations
2008	Chief Financial Officer of the Year (Sesdaq)

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

INVESTORS' CHOICE AWARDS – SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

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

ASIAMONEY CORPORATE GOVERNANCE POLL

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

FORBES

2006	Asia 200 Best Under A Billion Companies

The Group is also a winner of productivity awards which are an endorsement of our continuing efforts to improve efficiency and raise productivity of our operations.

PRODUCTIVITY AWARDS

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

FINANCIAL HIGHLIGHTS

INCOME STATEMENT SUMMARY

Financial year-end 30 June

(S$ million)	FY2015	FY2016	FY2017	FY2018	FY2019
Revenue	52.2	51.3	57.2	65.1	**60.3**
Gross Profit	28.7	29.1	33.0	37.1	**32.4**
Profit Before Tax	15.4	15.7	18.5	21.9	**17.1**
Net Profit	12.0	11.9	14.8	17.1	**12.9**
EPS (cents)	8.7	8.6	10.6	12.3	**9.31**
Weighted average number of shares in issue	139,031,881	139,031,881	139,031,881	139,031,881	**139,031,881**

BALANCE SHEET SUMMARY

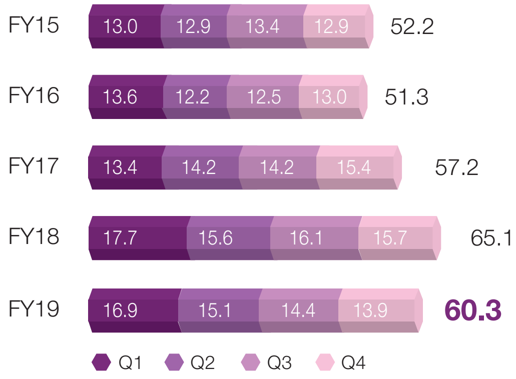
(S$ million)	As at 30 June 2018	As at 30 June 2019
Total Non-Current Assets	35.7	**33.1**
Total Current Assets	37.6	**36.8**
Total Non-Current Liabilities	3.4	**3.0**
Total Current Liabilities	9.6	**8.5**
Shareholders' Equity	60.3	**58.4**
Cash and cash equivalents	21.1	**21.9**
Trade and other receivables (current)	11.9	**10.4**
Trade and other payables (current)	7.1	**6.4**
Short and Long-term Debt	0.0	**0.0**
NAV per share (cents)	43.4	**42.0**

KEY FINANCIAL RATIOS

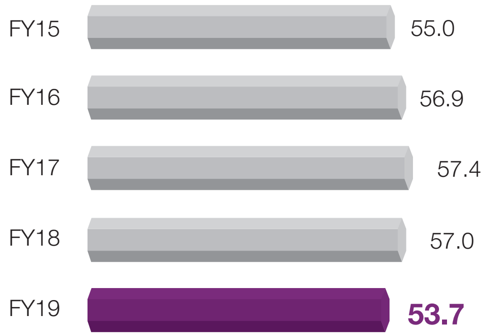
	FY2018	FY2019
Gross Profit Margin	57.0%	**53.7%**
Net Profit Margin	26.3%	**21.5%**
Return on Equity	28.4%	**22.2%**
Dividend Per Share	10.0 cents	**10.0 cents**
Dividend Payout	81.1%	**107.4%**

FINANCIAL HIGHLIGHTS

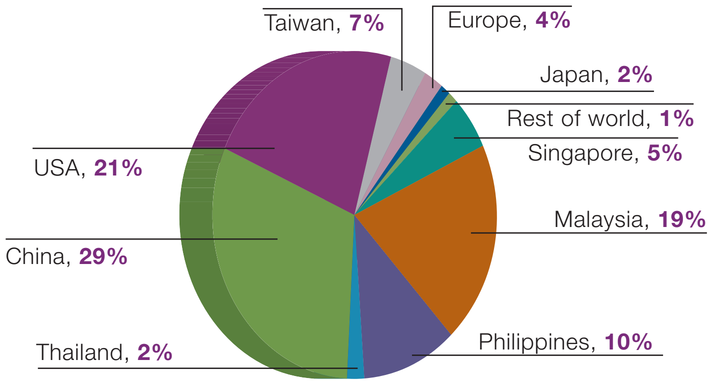
GROUP REVENUE (S$M)



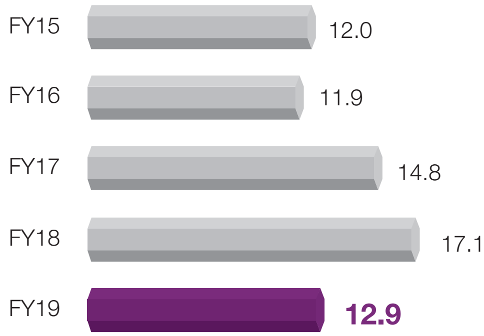
GROUP GROSS PROFIT MARGIN (%)



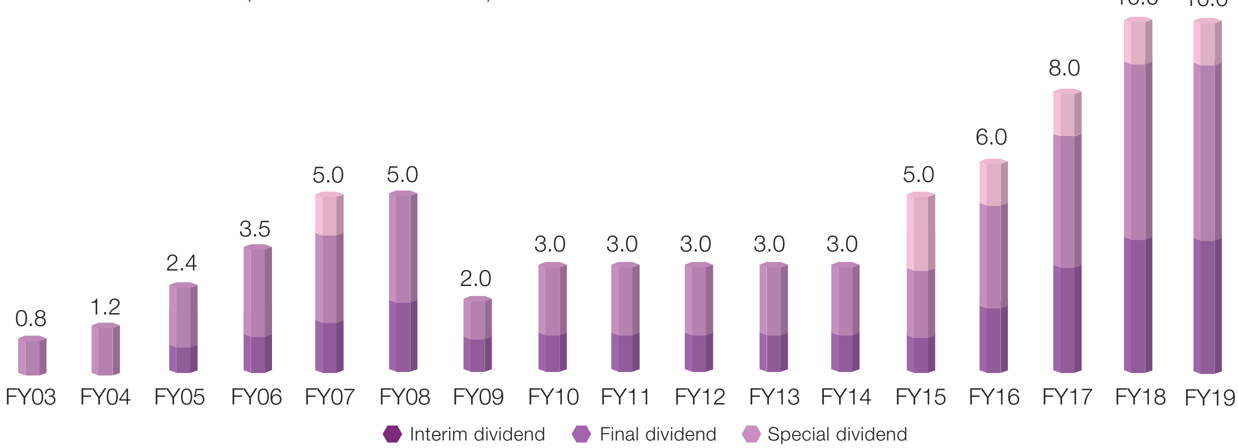
REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET (FY2019)



GROUP NET PROFIT (S$M)



DIVIDEND HISTORY (CENTS PER SHARE)



BOARD OF DIRECTORS

Sumitri Mirnalini Menon @ Rabia
Independent Non-Executive Chairman

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

Christopher Reid Borch
Founder & Chief Executive Officer

Mr. Borch has over 35 years of engineering, manufacturing and management experience in the semiconductor industry, including 17 years living and working in Asia. Prior to founding Micro-Mechanics in 1983, Mr. Borch held positions with several leading makers of automatic assembly equipment including Kulicke & Soffa, Inc. Mr. Borch earned his undergraduate degree from Furman University and an MBA from The Wharton School at the University of Pennsylvania. Mr. Borch serves on the Dean's Board of the University of Southern California's Engineering School. In July 2018, Mr. Borch received the Best Chief Executive Officer Award at the Singapore Corporate Awards.

Low Ming Wah
President & Chief Operating Officer

Mr. Low joined Micro-Mechanics in 1989 as the company's first engineer. During his career at Micro-Mechanics, Mr. Low has held key engineering, manufacturing and management positions. Prior to joining Micro-Mechanics, Mr. Low held engineering and design positions with General Electric and Siemens. Mr. Low received his Diploma in Mechanical Engineering from Singapore Polytechnic and an MBA from the University of Hull, UK. He has over 35 years of experience in the semiconductor and precision engineering industry.

Currently, Mr. Low is the Chairman of the Singapore Precision Engineering & Technology Association (SPETA) and the board member of Enterprise Singapore (ESG). He is also the member of the SMEC main committee under Singapore Business Federation and member for FEC Manufacturing Sub-committee under EDB. He is also a member of Singapore Institute of Directors. In 2012, Mr. Low established a bursary fund with the Singapore Polytechnic Graduate Guild Endowment to support students in need of financial assistance. Mr. Low is also the Distinguished Patron for Loving Heart Multi-Service Centre that serves the residents and needy students. In 2015, Ming Wah established a Study Grant with the Singapore Institute of Technology to be given to deserving and financially disadvantaged full-time undergraduates of the institute. In 2017, Ming Wah established a scholarship with Singapore University of Technology and Design to promote meritocratic access to education and provide opportunities to students with demonstrated financial need.

Chow Kam Wing
Chief Financial Officer & Company Secretary

Mr. Chow joined Micro-Mechanics in 1996 and played the key role for the Company's IPO on SGX in 2003 and business expansion and operations in the region. Prior to joining Micro- Mechanics, Mr. Chow has more than 15 years working experience in auditing and accounting in Hong Kong.

Currently, Mr Chow is Committee Member of the Corporate Governance Committee of Institute of Singapore Chartered Accountants (ISCA) and CFO Committee of Australia CPA (Singapore). He served as Audit Committee Member of Singapore Chinese Orchestra (2013- 2017), Committee Member of CFO Committee of ISCA (2008- 2014) and an Advisory Council Member of Singapore CFO Institute under Singapore Accountancy Commission (2015- 2017).

Mr. Chow is a fellow Member of CPA Australia and Member of Institute of Singapore Chartered Accountants and Hong Kong Institute of Certified Public Accountants. He received his MBA from the University of Wales in the United Kingdom.

In February 2008, Mr. Chow was recognized as the Chief Financial Officer of the Year at the Singapore Corporate Awards.

BOARD OF DIRECTORS

Girija Pande
Independent Director

Girija Pande is Chairman of Apex Avalon Consulting Singapore and ex-President of Tata Consultancy Services (TCS) Asia Pacific. He has over three decades of experience in senior positions with ANZ Banking Group and Tata Consultancy Services (TCS) Ltd. Mr. Pande was also Vice Chairman of TCS' joint-venture with the Chinese Government and served as Economic Advisor to the Mayor of Guangzhou. He was a council member for Singapore Government's Manpower Council set up by Infocomm Development Authority (IDA) of Singapore and served on Advisory Board of Singapore Management University, the boards of Singapore International Chamber of Commerce, Institute of South Asian Studies (NUS) and is a Trustee of SINDA.

He serves on Boards of many companies in Asia. He received best CEO Award from SHRI Singapore & Social Services Award by Ministry of Social & Family Development.

Kenny Kwan
Independent Director

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

Lai Chin Yee
Independent Director

Ms Lai has more than 30 years of experience in auditing, taxation, finance and accounting, and is currently the Finance Director of SGX-listed Qian Hu Corporation Limited. Ms Lai was formerly an auditor with international accounting firms from 1987 to 2000.

Ms Lai was appointed by the Ministry of Finance (MOF) as a member of the Tax Advisory Committee from 2004 to 2006. She was a member of the CFO Committee of the Institute of Singapore Chartered Accountants (ISCA) from 2009 to 2012. In 2018, Ms Lai was elected as a Council Member of ISCA. She was also appointed by MOF as a Board Member of Accounting and Corporate Regulatory Authority (ACRA) in 2019.

Ms Lai graduated with a Bachelor's degree in Accountancy from the National University of Singapore. She is a Fellow of the ISCA and a member of the Singapore Institute of Directors. In 2009, she was named the Chief Financial Officer of the Year at the Singapore Corporate Awards.

EXECUTIVE OFFICERS

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

MALAYSIA
Micro-Mechanics Technology Sdn. Bhd.
Mr. Tan Beng Lim (General Manager)

PEOPLE'S REPUBLIC OF CHINA
Micro-Mechanics Technology (Suzhou) Co. Ltd.
Mr. Shen Zi Quan (Deputy General Manager)

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

THE UNITED STATES
Micro-Mechanics, Inc.
Mr. Colin Wojno (Factory Manager)

FINANCIAL CONTENTS

CORPORATE INFORMATION

Board of Directors
Sumitri Mirnalini Menon @ Rabia
Independent Non-Executive Chairman
First appointed: 16 May 2003
(Email: smenon@micro-mechanics.com)
(re-appointed on 29 October 2018)

Christopher Reid Borch
Executive Director
First appointed: 25 June 1996
(Email: cborch@micro-mechanics.com)
(re-appointed on 30 October 2017)

Low Ming Wah
Executive Director
First appointed: 25 June 1996
(Email: mwlow@micro-mechanics.com)
(re-appointed on 28 October 2016)

Chow Kam Wing
Executive Director
First appointed 20 January 2003
(Email: kamchow@micro-mechanics.com)
(re-appointed on 29 October 2018)

Girija Prasad Pande
Independent Director
First appointed: 10 September 2009
(Email: gpande@micro-mechanics.com)
(re-appointed on 28 October 2016)

Lai Chin Yee
Independent Director
First appointed: 1 June 2014
(Email: laicy@micro-mechanics.com)
(re-appointed on 30 October 2017)

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

Audit Committee
Lai Chin Yee
Chairman
Sumitri Mirnalini Menon @ Rabia
Girija Prasad Pande
Kenny Kwan Yew Kwong

Nominating Committee
Sumitri Mirnalini Menon @ Rabia
Chairman
Girija Prasad Pande
Lai Chin Yee
Kenny Kwan Yew Kwong

Remuneration Committee
Girija Prasad Pande
Chairman
Sumitri Mirnalini Menon @ Rabia
Lai Chin Yee
Kenny Kwan Yew Kwong

Risk Management Committee
Lai Chin Yee
Chairman
Girija Prasad Pande
Sumitri Mirnalini Menon @ Rabia
Low Ming Wah
Chow Kam Wing
Kenny Kwan Yew Kwong

Company Secretary
Chow Kam Wing
Chartered Accountant
(Singapore)

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

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

Auditors
KPMG LLP, Certified Public
Accountant
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner-in-charge: Yeo Lik Khim
(appointed since Financial Year 2017)

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

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

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

SUSTAINABILITY REPORT

Year ended 30 June 2019

BOARD STATEMENT

The Board of Micro-Mechanics (Holdings) Ltd is pleased to present the Sustainability Report FY2019. The Board has been involved in the development of this sustainability report as well as the identification of our material Environment, Social and Governance (ESG) factors. Supported by our Sustainability Steering Committee, we oversee the direction, monitoring and management of the performance of each of these factors. The sustainability report is aligned to the Singapore Exchange (SGX); SGX-ST Listing Rules 711A and 711B and references the internationally recognized Global Reporting Initiative (GRI) Standards (2016).

Although this is our second formal report, sustainability practices have always been a consideration in all our Company decisions. The rapid advancement of the semiconductor industry facilitated our growth as well as that of our competitors. We believe sustainability practices in our business help to identify opportunities for improvement within our organisation which enhances our competitiveness in the industry.

Sustainability issues around eco-efficiencies and fair working environments are increasingly high on the supply chain criteria of many global businesses. As a designer, manufacturer and marketer of high precision parts and tools for global customers, Micro-Mechanics must adapt to changing demands and practices in order to stay relevant in the markets. In addition, sustainability practices like resource consumption optimisation and safer working environment which result in less lost time, will lead to bottom line savings for the organisation.

We have formalised our sustainability approach by setting up a sustainability governance team and identifying the areas to pursue immediately and in the coming years. We have also identified performance measures and developed targets to move our performance forward year-on-year.

Singapore

"At Micro-Mechanics we are committed to running a sustainable and responsible company, not just because it is the right thing to do, but because it makes good business sense. We believe that operating safely and efficiently ensures a well governed, well managed business that will continue to grow and flourish for many years into the future. We are excited to have begun formalising and standardising our sustainability performance and look forward to continue capitalising on the opportunities that this provides," said Mr. Chris Borch, CEO of Micro-Mechanics (Holdings) Ltd.

Malaysia

China

USA

Philippines

ABOUT THIS REPORT

This is Micro-Mechanics' second sustainability report after our inaugural report in FY2018. It details the sustainability efforts in our core business activities as a manufacturer of high precision tools and parts and is presented together with our annual report covering the period from 1 July 2018 to 30 June 2019.

This sustainability report is prepared with reference to the guidelines of Global Reporting Initiative (GRI) Standards 2016 and in compliance with Rules 711A and 711B of the SGX. This report has been prepared in accordance with the GRI Standards: Core option. We adopted the GRI reporting framework for its detailed guidance in the disclosure of governance approaches, the environment, social and economic performance and it is relevant to our business. The GRI Index and the relevant references are presented on pages 34 to 36.

Reporting Scope

Micro-Mechanics designs, manufactures and markets high precision parts and tools used in process-critical applications for the wafer-fabrication and assembly processes of the semiconductor industry. The Group operates from five manufacturing facilities located in Singapore, Malaysia, China, the Philippines and the USA and a direct sales presence in Taiwan and Europe. The Group's strategy is to relentlessly pursue product and operational improvements while providing fast, effective and local support to our customers worldwide.

In our first sustainability report, we focused only on our operations in Singapore. This year, our report has been expanded to include all our subsidiaries across China, Malaysia, the USA and the Philippines.

The Company has not sought direct external consultancy for this sustainability report. Any comments, suggestions or feedback for this report can be forwarded to Investor@micro-mechanics.com.

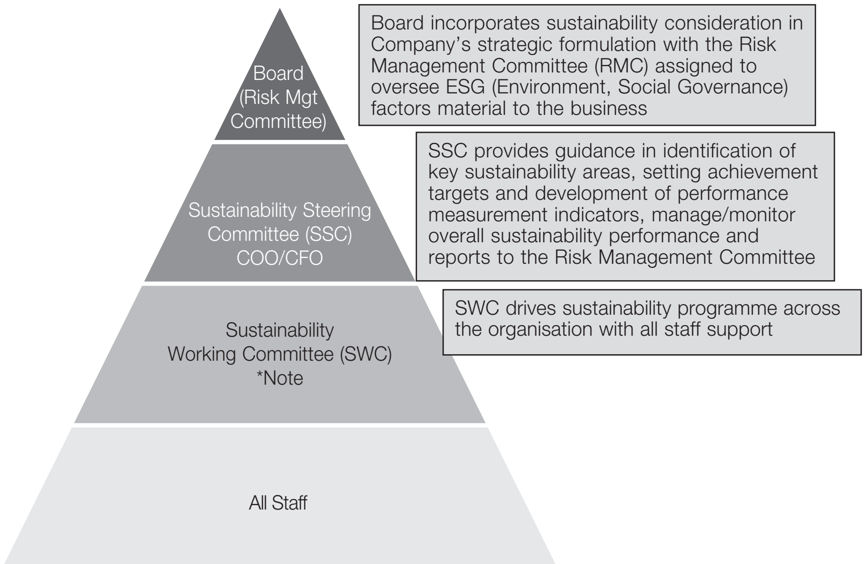
SUSTAINABILITY GOVERNANCE

When we first embarked on our sustainability journey, we formalised our approach and established teams at various hierarchies to be responsible within Micro-Mechanics.

The Sustainability Steering Committee (SSC), led by our Chief Operating Officer and Chief Financial Officer, is responsible for providing guidance in identification of key sustainability areas, setting achievement targets and development of performance measurement indicators.

SSC is supported by a Sustainability Working Committee (SWC) comprising of department heads from every department in the organization. The SWC team members are responsible for ensuring the execution of sustainability efforts in their departments, as well as providing feedback and support to the SSC. The SSC in turn provides sustainability reports and updates to the Board via the Risk Management Committee (RMC) on a quarterly basis. The RMC comprises four independent directors, CFO and COO. The chairman for RMC is an independent director. The governance structure is as shown in the following pictorial.

Sustainability Governance Structure



* *Note*
The Sustainability Working Committee is represented by personnel from various departments:

- Manufacturing
- Sales & Marketing
- Design & Development
- Finance & Admin
- Purchasing & Planning
- Research &Development

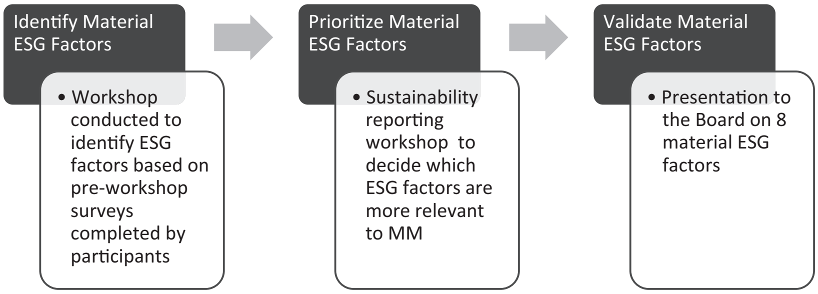
MATERIALITY

Sustainability spans a wide range of subjects and those that are relevant to Micro-Mechanics will evolve as our sustainability journey progresses. Our focus on Environmental and Social Governance (ESG) areas are the basis for this report for which the content has been developed after performing our material assessment.

Our material assessment considers global and regional sustainability issues in conjunction with related risks and opportunities in the semiconductor industry, both in the present as well as future scenarios. Internal stakeholder surveys were also performed to seek their views of what is important to the Company. Those internal stakeholders who have regular interactions with external stakeholders are tasked to assist on inputs of the latter's views of sustainability issues relevant to the Company.

We have established eight material factors related to ESG through our materiality prioritisation workshops conducted in FY2018. These eight factors were also validated by the Board of Directors which forms the focus of our sustainability efforts and content development for this report.

Materiality Assessment Process



Stakeholder Engagement

Key stakeholders and how we interact with them are indicated as follows:

Stakeholders	Engagement methods
Investors and shareholders	• Media releases • Quarterly SGX announcements • Half yearly results briefings for investors and media • Yearly AGM for shareholders • Annual Report • Ad hoc meetings with our Investor Relations Consultants • Email communications – investor@micro-mechanics.com • Company website with investor relations column
Employees	• Materiality prioritisation session • Company handbook- code of conduct • New Staff Orientation • Half-yearly Employee Improvement Dialogue with employees • Town hall meetings • Whistle blowing policy in place
Customers	• Customer visits by our sales personnel • Participation in Semiconductor trade shows • Customers material safety compliance requirements such as Restriction of Hazardous Substance (RoHS), Registration, Evaluation, Authorisation and Restriction of Chemicals (Reach) • Yearly customers satisfaction survey • Factory visit by customers
Suppliers	• Supplier selection process • Suppliers assessment • Meetings with suppliers
Regulators	• Seminar/updates received from local government agencies • Internal processes in place to ensure compliance with local government laws and regulations • Zero tolerance of non-compliance tone set by the top management
Local communities	• Compliance with local government laws and regulations such as pollution at surrounding factory areas, chemical discharge to drainage, etc. • Help local employment by applying locals first policy

Material ESG factors determined from our materiality assessment exercise are shown below:

Our Operations	**1**	**Economic Performance**
	2	**Training and Education**
	3	**Occupational Health & Safety**
	4	**Diversity and Equal Opportunity**
	5	**Energy**
Our Supply Chain	**6**	**Materials**
	7	**Supplier Social Assessment**
Our Governance	**8**	**Compliance with regulations (anti-corruption, socioeconomic and environmental)**

These factors are discussed here in our sustainability report except for Economic Performance. Economic performance is key to the sustainability of the Company. However, our practices and performance in this area have been detailed in our financial statements. Please refer to pages 69 to 116 for more details.

Micro-Mechanics Materiality Matrix

CONCERN TO STAKEHOLDERS				
High			• Socioeconomic Compliance	• Economic Performance • Training and Education • Occupational Health & Safety • Diversity and Equal Opportunity • Materials • Anti-corruption
Medium		• Customer Health & Safety • Child labour • Forced or compulsory labour • Emissions	• Supplier Environmental Assessment • Effluents and Waste • Talent Retention	• Energy • Supplier Social Assessment
Low		• Marketing & Labeling	• Water	
SIGNIFICANCE TO THE BUSINESS				
		Low	**Medium**	**High**

OUR OPERATIONS

TRAINING AND EDUCATION

The success of our operations relies on well-trained employees with up-to-date skillsets. We encourage training as we believe knowledge is an asset that adds value to the Company, our employees as well as the product and services that we provide to our customers. Micro-Mechanics trains and educates our employees with up-to-date knowledge and skills to ensure high quality work output. We are committed to providing our employees with equal opportunities to develop their full potential through comprehensive training programs. Our well-planned training provides career opportunities for employees and encourages their work commitment which we place high on our list of priorities.

Policies and guides:	***Performance Indicator:***	***Achievement in FY2019:***
• Employee handbook with details on company's training policies	• Provision of diverse and relevant suite of training for our employees	• 100% of employees given access to training with an average attendance of 12 training hours per employee

Human Resource Policy and Training

In our human resource policy, we clearly state that we are committed to providing our employees with opportunities to develop their potential through comprehensive training programmes. The focus of our training programs is to continuously upgrade employees' knowledge and skill-sets in areas directly related to their current work as well as future work development.

Supervisors are tasked to seek relevant training courses and make recommendations for their staff participation. Employees who have attended training courses will provide feedback to the Company about the quality and content of the training so that supervisors can determine whether others in the Company should also attend the same or similar training courses in the future.

Management Initiatives

In Micro-Mechanics, we have implemented the Employee Improvement Dialogue (EID) system where we determine the training and development needs for our employees during the periodic process of appraising their performances. EID is part of our human resource system and is a two-way communication tool shared between the appraiser (supervisor) and the appraisee (employee).

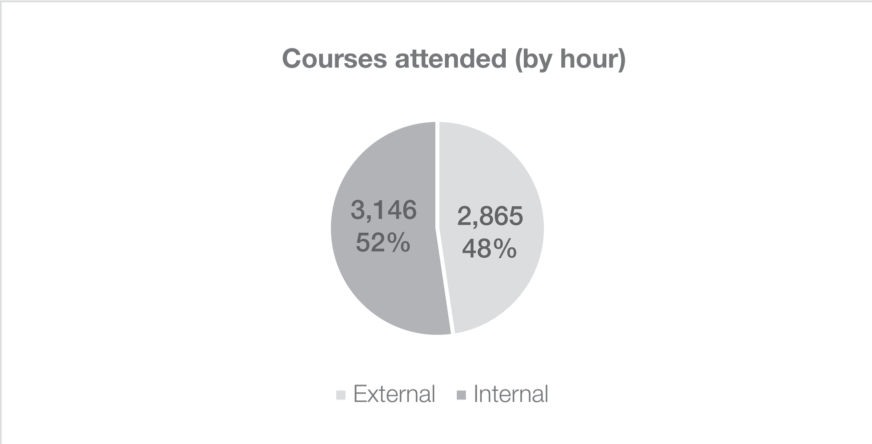
Gaps in employees' knowledge or skill-sets found during sessions will be followed up with relevant training or education.

During FY2019, the following types of internal and external training were conducted:

- On the job training for newly hired employees
- Anti-Bribery Management System (ABMS) training for ISO37001
- Internal training on products and manufacturing capabilities
- Business Continuity Management (BCM) awareness training including Pandemic awareness to ensure all employees are conversant with BCM procedures when an unexpected event or disaster occurs

- Selected employees attended a series of quarterly internal management workshops by MM University Instructors to help them understand Company's vision, mission, strategies and culture, and framework for making well informed decisions as per Company's objectives and goals
- Employees attend seminars, talks and training programs organized by third parties on a needed basis
- Information Technology training whenever there are new updates for our ERP system, Human Resource system and IT Governance
- Training programme with Institute of Microelectronics (IME) to enable our employees to have better understanding on die attach and wire bonding application and process

Training and Attendances at Micro-Mechanics offices:



During FY2019, our employees attended 6,011 hours of external and internal training. This translates to 12 hours of training for each employee.

OCCUPATIONAL HEALTH AND SAFETY

In the course of work, our employees may invariably be exposed to health and safety risks in the workplace. Micro-Mechanics regularly assesses and mitigates risks in our work environment to minimise occupational health risk and safety hazards. Our employees are our most important asset and it is in our best interest to safeguard their health and safety.

It is our responsibility to provide a healthy and safe working environment for employees as well as visitors to our workplace. We leverage on our core values (Transparency, Teamwork, and Communication) to drive and promote occupational health and safety awareness and constantly educate our employees on potential health risks and safety hazards in our work environment whilst emphasizing precautionary measures for them to undertake for their own safety

Micro-Mechanics' current 7S culture was derived from our original 5S (Sort, Set in Order, Shine, Standardise and Sustain) practice with the inclusion of Safety and Sustainability. Audits are conducted periodically to ensure every aspect of occupational health and safety is addressed and the impact of any hazard eliminated, minimized or controlled. We are committed to ensuring a safe work environment for our employees. 7S is one of our half-yearly KPIs and it is aligned with our in-house bonus incentive program to incentivize our employees' participation.

Policies and guides:	Performance Indicators:	Achievements in FY2019:
• Environment, Health & Safety Handbook	• Zero workplace incidents resulting in a fatality or permanent injury	• Zero workplace incident

In FY2019, there were no workplace injuries resulting in a fatality or permanent injury.

Health and Safety Policy

Micro-Mechanics' in-house Environment, Health & Safety Handbook incorporates all necessary safe work practices. As employees also play an equally important role in creating a safe work environment, we ensure they are always mindful of possible dangers and the safety measures to practise responsibly.

Our health and safety policy outline our actions in achieving safety objectives:

- Continuous education of employees on potential health risks and safety hazards and precautions to take in the work environment on a daily basis
- Regular review of our work environment and practices to identify new or potential risks
- Ensure all machines and equipment come with safety features and procedures for employees
- Update employees on new safety feature and procedures for any equipment upgrade
- Provide an open communication channel across all levels to gather feedback and comments on safety and health related concerns during daily briefing and 7S audits
- Safety Committee in all locations to make sure safety measures are in place

Standards, certificates and management plans

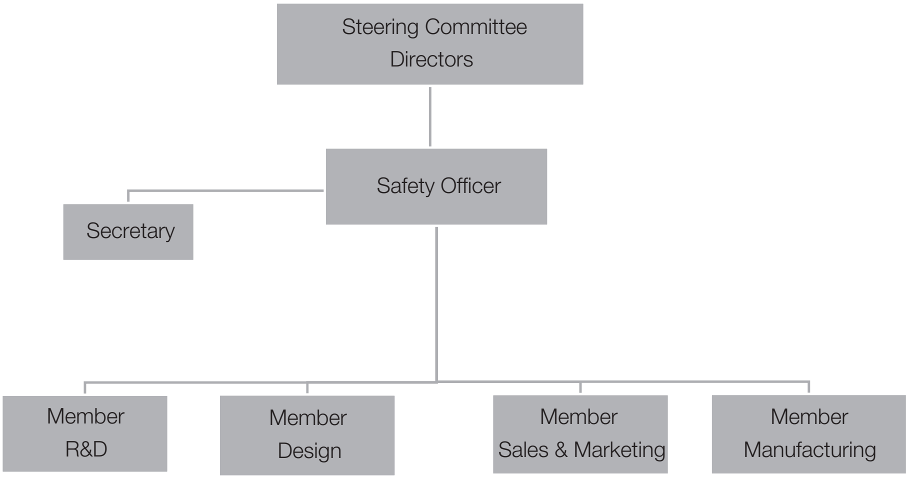
Micro-Mechanics acquired ISO22301 Business Continuity Management (BCM) certification in 2012 and it was successfully renewed in 2019. BCM addresses different disaster scenarios including health and safety emergencies in the work place. Our employees are familiar with BCM procedures and the Emergency Response Plan (ERP) and practise them annually. The annual BCM practice also refreshes our employees' ability to handle health related emergencies like pandemic outbreaks such as Bird Flu disease, SARS, MERS and others.

Management will continue to seek related certifications to adopt best practices that will enhance health and safety measures in Micro-Mechanics.

Management Initiatives

In Micro-Mechanics, we have a Health & Safety Committee responsible to update the Steering Committee periodically on all health and safety related activities. These updates include feedback of concerns gathered from daily staff briefings, issues identified from periodic audits, statutory obligations or changes pertaining to health and safety at the workplace. Steering Committee is responsible to set direction and give guidance and advice on all health and safety matters for the organization.

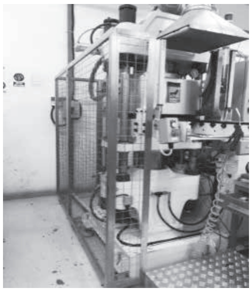
Health & Safety Committee

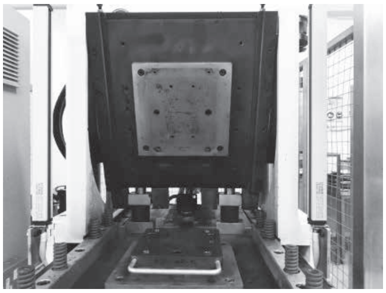


To date, Health & Safety Committee have implemented the following practices at the workplace across Micro-Mechanics' group of companies:

- Provided mandatory Personal Protective Equipment (PPE) to all employees as well as any visitors to our production floor work areas. Selected PPEs aim to provide basic protection for wearers from hazards such as noise, respiratory and heat at the workplace
- Deployed Automated External Defibrillators (AED) at our premises for emergency cardiac incidents and conducted AED usage and CPR training for employees
- Installed safety measures like barriers to ensure a safe distance between operators and machines, sensors to trigger emergency stop if distance violated, guard shields to prevent flying particles or chips from causing injury to machine operators
- Installation of MistBuster(r) for machinery air filtration systems to ensure effective cleaning of mists generated from cutting lubricants or particles resulting from machine operations during production
- Implementation of a Respiratory Protection Program to improve air quality at the workplace with controls such as the installation of dilution air ventilation cum filtration systems as well as ensuring proper fitting of respirator for staff using such PPE
- Periodic measurement of indoor air quality and noise levels to ensure that regulating authority standards are met
- Internal training for employees on the safe handling knowledge of chemicals used in our manufacturing processes
- Daily checks to ensure appropriate PPEs are worn and used correctly especially at predetermined high-risk areas
- Conduct of annual Fire and Emergency Drills
- Continuously improve Health and Safety at the workplace based on employees' feedbacks and concerns
- Maintain up-to-date workplace health and safety practices in accordance with local authority

Machines with infra-red sensory safety barriers





Mist Buster Air Filtration Systems on machines

Training on the use of PPEs like dust filters and respirators in Singapore

Firefighting training at our overseas office

Workplace First Aid training at one overseas office

DIVERSITY AND EQUAL OPPORTUNITY

Micro-Mechanics hiring policy is based on potential employees' competencies and capabilities for job openings. Our employees hail from different backgrounds and we select them on the basis of merit such as skills, experience and ability regardless of age, race, gender, religion or family status.

Policies and guides:	***Performance Indicators:***	***Achievements in FY2019:***
• Employee handbook with details on company's human resource policies	• Diversity at both Board and Employee level	• 29% female board members • 46% female staff base

Human resource policy

Micro-Mechanics' Employee Handbook details our hiring policy and describes our approach to diversity and equal opportunity within the organization. Using the handbook, employees can access information on our hiring practices, promotion opportunities and chart their career path in the Company.

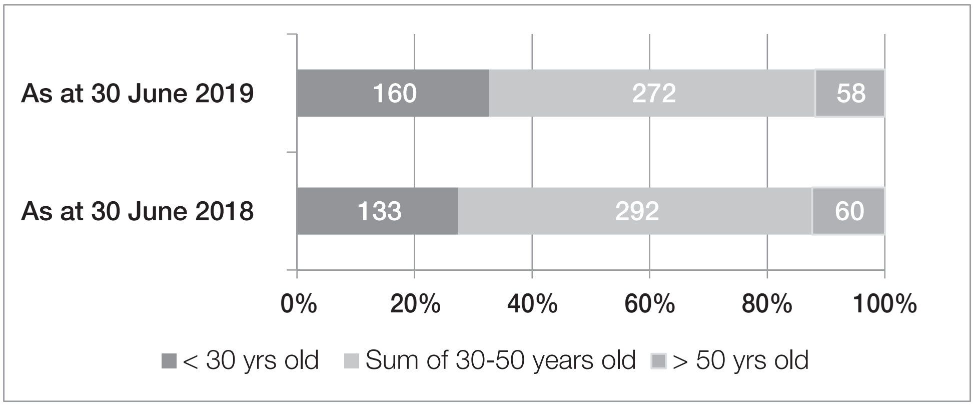
Management Initiatives

To ensure diversity and equal opportunity, our efforts include;

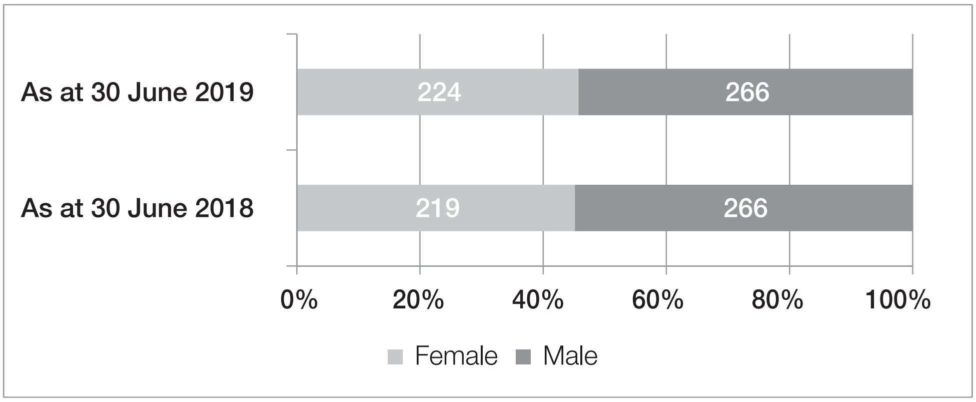
- For new hiring requests, employees who may be suitable for the role as part of the employee's career path in the Company will be considered before looking externally
- Hiring of potential employees do not unduly affect diversity for that role in the organization
- Adherence to local authority guidelines and fair employment practices which may include priority given to hiring locals for job openings before considering foreign candidates
- Seeking diversity even for Board members to ensure balance of views and perspectives at the highest level

On 29 August 2019, the Board approved Board Diversity Policy.

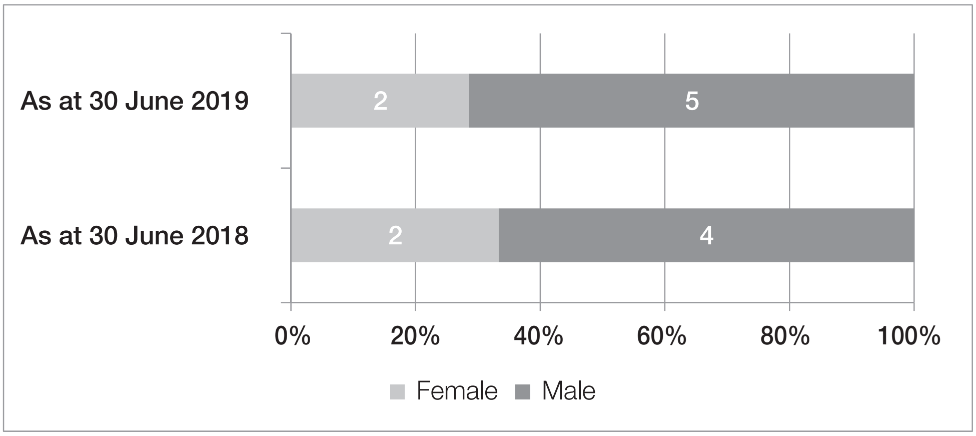
Employee Diversity by Age



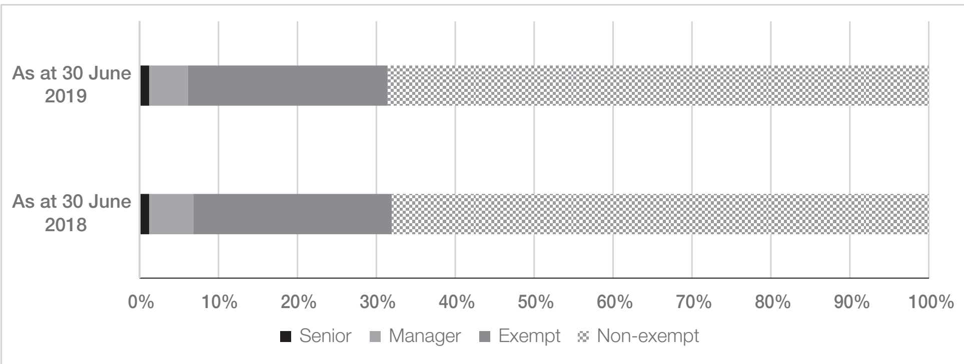
Employee Diversity by Gender



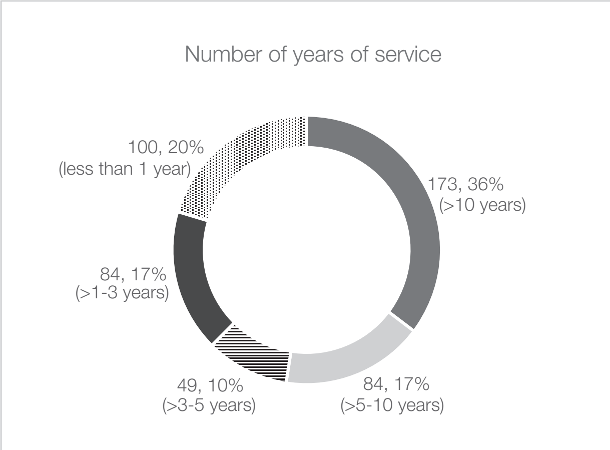
Diversity by Gender (Board level)



Diversity of employee – by type



Employee years of service



ENERGY

Micro-Mechanics business operations normally consume energy in the form of electricity sold to us by the utility's authority or vendor. We also have generators using diesel at the various offices but these are mainly for electrical power backup function when the normal supply from the authority or vendor is interrupted.

Electrical energy is expended mainly in our machine operations and the general air-conditioning for the offices. Reduction in energy consumption is always part of our operations strategy and policies are in place to garner savings in financial costs as well as for environmental conservation objectives.

Policies and guides:	***Performance Indicators:***	***Achievements in FY2019:***
Work instruction – Resource conservation	Remain within 10% of 2018 energy intensity (0.115 @ June 2018) Energy Intensity=kwH/Revenue	kWh/Revenue – 0.126

Management initiatives

Some energy savings programs to date include:

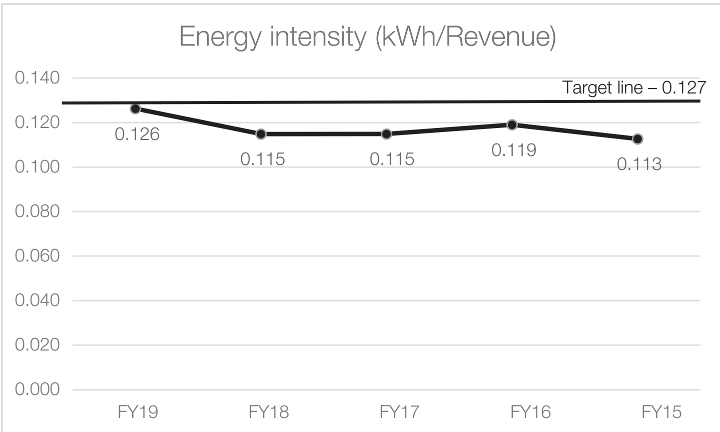
- Development of work instruction outlining a systematic approach to all resource conservation covering efficient usage as well as material recycling in the organization
- Active monitoring of electrical energy consumption on a monthly basis
- Regular maintenance of all equipment to maintain their efficiencies and reliability
- Education of employees on reducing energy consumption of machines and office equipment
- Purchasing criteria for new machines include consideration for energy saving features requirement
- Optimize lighting and air-condition usage in the workplace to reduce wastage
- Use of solar energy at our US office to reduce consumption from the normal source
- Use of water saving system to reduce water resource consumption at our US office

Solar Electricity Generation and Water Conservation at Our Plant in California, USA

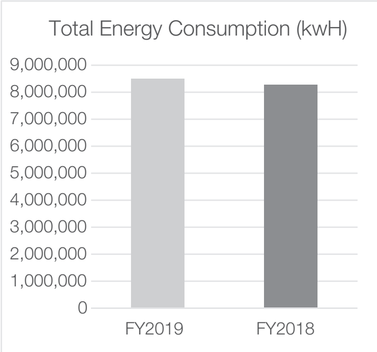
Performance data

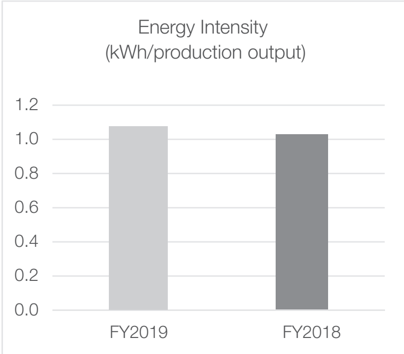
Our energy usage is mainly dependent on our monthly orders which mean more business activities will result in increased power consumption. In order to track and review our energy consumption, we measure the performance of Energy Intensity which is defined as the power consumed (kWh) over the corresponding output generated.

For FY2019, energy usage increased despite a reduction in production output and sales revenue. Two areas have contributed to the higher energy usage in FY2019. Firstly, we have included all the subsidiary offices in FY2019 report but they were not able to furnish energy consumption for production floors specifically but rather for the whole office. Moving forward, our subsidiary offices will identify and make changes required so that energy consumption measurements are directly related to production floors. Secondly, in FY2019, our subsidiaries have installed additional air-conditioner units at certain production floor areas, research development areas and IT server rooms to support 24-hour operation needs and also deployed new machines during earlier part of the year. Both these changes have increased the energy consumption in FY2019. We will continue to review and improve our production operations for more efficient energy consumption.



Note: Revenue is converted to functional currency





OUR SUPPLY CHAIN

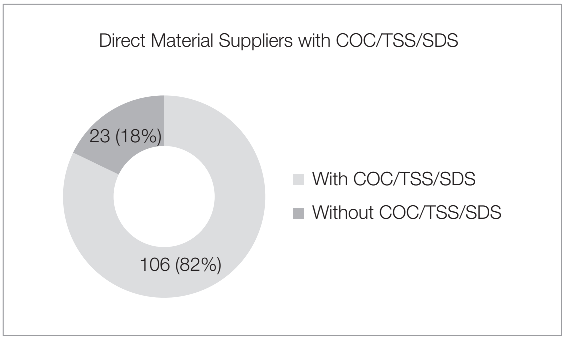
Some of the materials used in our production sites are acquired from overseas suppliers and thus supply chain assessment is of importance to our operations. At Micro-Mechanics, suppliers are part of our value chain. Material quality and consistencies have direct impact on our production output and we expect our suppliers to share a common goal of driving their respective processes in a sustainable manner too. At the same time, Micro-Mechanics is also part of the globalized value chains in the semiconductor and electronics industry and will also strive to contribute our part in sustainability management of environmental, social and economic impacts throughout the life cycles of the manufacturing supply chain.

MATERIALS

Policies and guides:	***Performance Indicators:***	***Achievements in FY2019:***
Attachment of Certificate of Conformance (COC) or Technical Specification Sheet (TSS) or Safety Data Sheet (SDS)	80% of direct materials purchased are attached with COC or TSS or SDS	82% of direct materials purchased are attached with COC or TSS or SDS

Micro-Mechanics requires our direct material suppliers to include a COC or TSS or SDS in each of their shipments to us. All material must be tested in accordance to Micro-Mechanics' required specifications. COC contains the supplier's background, purchase order number, production number, lot size, and certification. TSS contains the material specific name, chemical composition, physical and mechanical properties while SDS contains potential hazards and safety measures in terms of health, fire, reactivity and environmental.

Performance Data



Management Initiatives

Our contribution to the globalized supply chain sustainability effort includes:

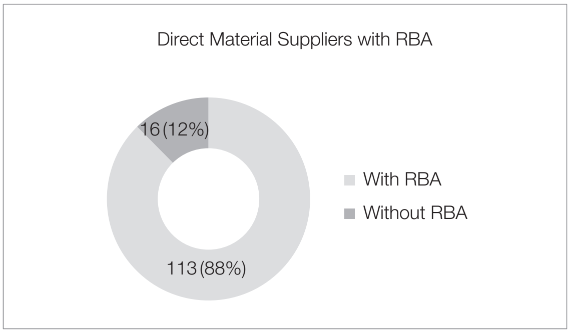
- Annual re-evaluation of all our material suppliers
- Implement procurement standards in selecting, monitoring, auditing and managing our suppliers to prevent possible disruption of material supply
- Obtain at least one of COC, TSS or SDS for all material from suppliers
- Include supplier compliance of requirement for Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemical Substances (REACH)
- Materials from suppliers without required information are sent for testing at external third-party laboratories to confirm they comply with desired requirement
- Monitoring life cycle of raw materials and ensure any waste generated is properly handled through incineration, landfill or other disposal methods that are in compliance with local regulatory requirement
- Engaging services only from local authority accredited waste management companies for handling, transport, treatment and disposal of waste

SUPPLIER SOCIAL ASSESSMENT

Our direct material suppliers are encouraged to use Reference Business Alliance ("RBA") as reference to meet Micro-Mechanics preferred supplier requirement.

Policies and guides:	***Performance Indicators:***	***Achievements in FY2019:***
Practice Responsible Business Alliance (RBA) principles	80% of direct material suppliers comply to RBA principles using our vendor declaration form	88% of direct material suppliers complied to RBA principles using our vendor declaration form

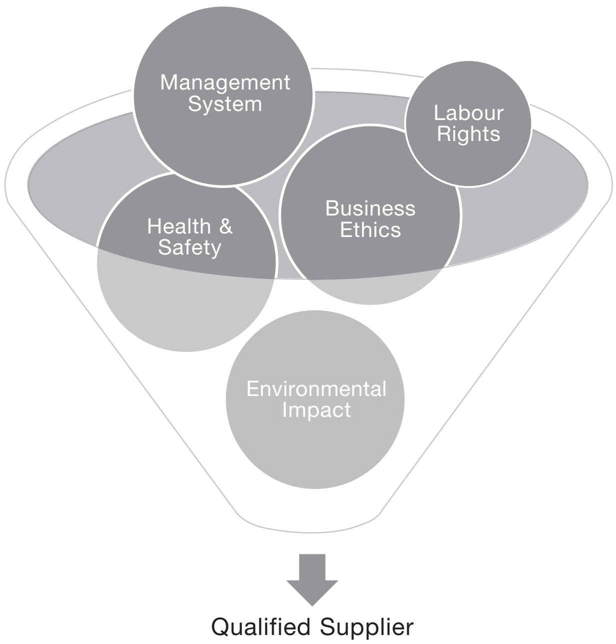
Performance Data



Responsible Business Alliance

The Responsible Business Alliance (RBA), formally known as Electronics Industry Citizenship Coalition (EICC) is a set of standards on social, environmental and ethical matters, specially dedicated to the supply chain in the electronics industry. This Code of Conduct strictly follows international standards such as Universal Declaration of Human Rights, ILO International Labour Standards, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, ISO and Standards Association.

At Micro-Mechanics, we embrace RBA vision, goals and principles and actively encourage our suppliers and business partners to adopt the same practices. Together with our business partners, we believe that each and every contribution we make towards proper compliance and governance in the manufacturing supply chain will greatly enhance sustainability in the long term.



Micro-Mechanics uses RBA principles as one of the selections and evaluation tools to assess suppliers and business partners. Only qualified suppliers that meet our purchasing standards are included in our Approved Vendor List.

Management Initiatives

As part of our sustainability development efforts, we actively share related corporate information with our suppliers. At the same time, we expect our suppliers to comply with RBA principles requirements including incorporating sustainability efforts in their business operations.

We ensure suppliers act in accordance to the RBA principles stated below:

- Providing a safe and healthy environment for their employees, contractors, suppliers and the communities in which they operate.

- Recognizing the importance of human rights, resource conservation, and community well-being and business ethics.
- Commitment to the prevention of pollution in the workplace and the promotion of workplace health and safety.
- Use of environmentally friendly materials and providing a safe plant and system of work.
- Implement appropriate measures on pollution prevention and minimization.
- Ensuring safe handling of hazardous substances.
- Understanding relevant occupational health and safety concerns.
- Adherence to applicable resource conservation practices.
- Commitment to comply with applicable local environmental, occupational health and safety, and local labour laws.
- Ensuring employment is freely chosen and not using child labour.
- Treating employees fairly, including ensuring appropriate working hours and wages payment in compliance with local labour laws.
- Non-discriminatory recruitment policies and freedom of association for all employees.
- Zero tolerance on any form of bribery, corruption, extortion and embezzlement.
- Fair conduct of business (including rejection of anti-competitive behaviour).
- Commitment to protecting the personal information of our customers, suppliers, and employees.

Suppliers Audit

Micro-Mechanics conducts periodic audits from time to time to assess our suppliers' sustainability development. Information of each selected supplier is gathered and assessed based on a list of sustainability criteria to determine their suitability to be included in our approved supplier list.

Suppliers are informed of their sustainability assessment outcome for them to follow up on sustainability areas if they do not meet the requirements to be on our approved supplier list.

Continuous monitoring will be done for those in our approved supplier list to ensure they maintain their efforts in driving sustainability development in their company. Micro-Mechanics will terminate our relationship or contract with suppliers with repeated serious non-compliance issues.

Supply Risk Analysis

In our Business Continuity Management annual exercise, Micro-Mechanics conducts risk assessments on our material supply chain in order to overcome situational disruptions. Our strategy for material supply chain resilience is to establish alternate sources for supplies and maintain inventory stock-up guidelines even though this may result in increased costs. However, these strategies and practices are essential for us to avoid production delays and ensure a high level of on-time product shipment to our customers.

COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING ANTI-CORRUPTION

Our Company's reputation and the trust of our customers, suppliers and employees are critical to our organization's success. Any corruption incident linked to our Company will damage our reputation and the trust we have built with stakeholders. Similarly, this applies also to any incident of infringement of laws and regulations. The Board and the Company have zero tolerance towards any corruption and non-compliance of rules and regulations.

Policies and guides:	***Performance Indicators:***	***Achievements in FY2019:***
Micro-Mechanics Company Handbook	Zero incidents of corruption and non-compliance of rules and regulations	Zero incidents of corruption, bribery or non-compliance of rules and regulations lodged against Micro-Mechanics

We had no reported incidents of corruption or bribery, and no non-compliance of rules and regulations in FY2019.

We have achieved certification for ISO 37001 (Anti-Bribery Management System) in June 2019.

Management Initiatives

During FY2019, we further strengthen our ethical approach by

- Notifying business partners and associates of our Supplier Code of Conduct and inviting them to declare their Company practices in relation to legal compliance and anti-corruption
- We also made known to business partners and associates that only companies with good records of legal compliance and corruption-free practices will enjoy continuation of business contracts and dealings with Micro-Mechanics
- Communicated the compliance policies and procedures for anti-bribery, gifts and hospitality, conflict of interest, code of conduct, insider trading amongst others to all employees and directors
- Initiated mandatory declaration of legal compliance and non-corruption behaviour or face termination of employment for every employee
- Engaged external consultant to enhance our Company procedures and practices in accordance to ABMS (Anti-Bribery Management System) guidelines

Corporate Policies:

We have put in place a number of policies that address any incident of non-compliance. These are included in our Company Handbook as follows:

Type of regulation	***Policy name***	***Objective of policy***
General employee conduct	Conflict of Interest policy Regulatory and Compliance Breach policy Gift & Entertainment policy	Sets out the principles of business conduct expected from all employees including directors. Emphasizing the group's policy to conduct business with integrity, in an ethical and proper manner, and in compliance with applicable laws and regulations.
Customer privacy	Personal Data Protection Act Policy	Provide guidelines on usage of personal data in accordance with the regulatory requirements.
Anti-corruption and Anti-Money Laundering regulation	Anti-corruption & Whistle blowing policy	Encourage reporting of suspected misconduct by establishing defined processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly and protected from reprisal. Whistle blowing policy provides guidelines for whistle blower to raise a concern by various channels including sending letter or email or by phone to any one of our Whistle Blower Officers who are Board directors. Whistle Blower Officer will report to Audit Committee in a timely manner and is obliged to acknowledge receipt of the information and provide explanation as to how the matter is being handled if the report is not anonymous.

From time to time, Micro-Mechanics receives regulatory development or updates from relevant authorities, our secretarial firm and our auditors. Our Company directors and employees are kept up to date of such regulatory environment development or related changes as they occur, through our Company's briefings and circulars and all are required to make self-declaration to acknowledge receipt as well as understanding of the information distributed. New employees are also briefed on relevant laws and regulations they must adhere to during their orientation and make similar self-declaration.

An external professional firm is appointed by our Board to conduct internal audit and report any abnormalities to the Audit Committee of the Board. We have also appointed a professional firm to perform annual year-end accounting audit to ensure our accounting practices are in compliance with the respective local regulatory authorities and financial reporting standards.

We will continue to review our policies and procedures and enhance our disclosure in line with GRI Standards (2016).

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	Micro-Mechanics (Holdings) Ltd
102-2	Activities, brands, products, and services	Corporate Profile, inside cover
102-3	Location of headquarter	Corporate Profile, inside cover
102-4	Location of operations	Corporate Profile, inside cover Notes to the Financial Statements, page 110-111
102-5	Ownership and legal form	Corporate Profile, inside cover Notes to the Financial Statements, page 89
102-6	Markets served	Corporate Profile, inside cover
102-7	Scale of the organisation	Corporate Profile, inside cover Executive Management Report, page 2-3 Financial Highlights, page 5 Diversity and Equal Opportunity, page 24-26
102-8	Information on employees and other workers	Diversity and Equal Opportunity, page 24-26
		Micro-Mechanics (Holdings) Ltd does not have significant portion of its activities being carried out by workers who are not employees.
102-9	Supply chain	Our supply chain, page 28-31
102-10	Significant changes to organisation and its supply chain	No significant changes during FY2019.
102-11	Precautionary principle or approach	Micro-Mechanics (Holdings) Ltd does not specifically address the principles of the precautionary approach.
102-12	External initiatives	Our Awards and Accolades, page 4 Occupational, Health and Safety, page 20-23 Our supply chain, page 28-31 Diversity and Equal Opportunity, page 24-26
102-13	Membership of associations	Singapore Business Federation Singapore Precision Engineering and Technology Association
Strategy		
102-14	Statement from senior decision-maker	Board Statement, page 12
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Board Statement, page 12 Corporate Governance Report, page 37-60 Compliance with Laws and Regulations, including Anti-corruption, page 32

GRI Standards (2016)		Notes/Page number(s)
Governance		
102-18	Governance structure	Sustainability governance, page 15-16
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement, page 17
102-41	Collective bargaining agreements	There are no collective bargaining agreements in place at Micro-Mechanics (Holdings) Ltd.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, page 17
102-43	Approach to stakeholder engagement	Stakeholder Engagement, page 17
102-44	Key topics and concerns raised	Stakeholder Engagement, page 17
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statements, page 89
102-46	Defining report content and topic Boundaries	About this Report, page 15 Materiality, page 16-18 All ESG factors are relevant within our organisation only
102-47	List of material topics	Materiality, page 16-18
102-48	Restatements of information	This is the second Sustainability Report published by Micro-Mechanics (Holdings) Ltd.
102-49	Changes in reporting	For FY2019, reporting information included all subsidiaries. In FY2018, reporting information was on Singapore subsidiary only.
102-50	Reporting period	About This Report, page 15
102-51	Date of most recent report	About This Report, page 15
102-52	Reporting cycle	About this Report, page 15
102-53	Contact point for questions regarding the report	About this Report, page 15
102-54	Claims of reporting in accordance with GRI Standards	About this Report, page 15
102-55	GRI content index	GRI Index, page 34-36
102-56	External assurance	Micro-Mechanics (Holdings) Ltd has not sought external assurance for this reporting period and may consider it for future periods.

GRI Standards (2016)		Notes/Page number(s)
Management Approach		
103-1	Explanation of the material topic and its boundary	Sustainability Governance, page 15 Materiality, page 16-18 Materiality and management initiatives are discussed within the section for each material factor, page 19-33
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
Material Topics		
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Compliance with laws and regulations, including anti-corruption, page 32-33
Energy		
302-1	Energy consumption within the organisation	Energy, page 26-28
302-3	Energy intensity	Energy, page 26-28 Energy disclosed in this report refers to purchased electricity only
Occupational Health and Safety		
403-2	Types of injury and rates of injury, occupational diseases, lose days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety, page 20-21
Training and Education		
404-1	Average hours of training per year per employee	Training and Education, page 19-20
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Education, page 19-20
Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	Our Supply Chain, page 28-31
Diversity and Equal Opportunity		
405-1	Diversity of employees and governance bodies	Diversity and equal opportunity, page 24-26
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Compliance with Laws and Regulations, including Anti-corruption page 32-33

CORPORATE GOVERNANCE

The Board of Directors and management of Micro-Mechanics (Holdings) Ltd. (the "**Company**") are committed to a high standard of corporate governance and transparency and to the protection of shareholders' interests. The Company's corporate governance policies and processes are in line with the revised Code of Corporate Governance (the "**Code**") released by the Council on Corporate Disclosure and Governance in May 2012. Explanations will be provided for non-compliance.

This report describes the Company's corporate governance policies and processes for the financial year ended 30 June 2019 ("**FY2019**") with specific reference to specific guidelines in the Code.

HIGHLIGHTS

1. In the latest Singapore Governance and Transparency Index (SGTI) 2019 released on 7 August 2019, Micro-Mechanics ranked 17th (23rd in 2018) out of 578 companies listed under general category on the Singapore Exchange. We have improved the SGTI score from 97 in 2018 to 101.

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

3. In May 2019, our Singapore plant operations successfully renewed the certification of Business Continuity Management System standard ISO22301:2012

4. In June 2019, Mr Kenny Kwan Yew Kwong was appointed as an Independent Director. His relevant particular are set out on page 8.

General

Question: *(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.*

(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?

The Company has complied most of the principles and guidelines of the Code. Explanations will be provided for non-compliance in this statement.

BOARD MATTERS

The Board's Conduct on Affairs
Board, Composition and Guidance

Guideline 2.1

Question: *Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.*

The Board comprises seven Directors, four of whom are independent and non-executive directors and three are executive directors. The particulars of the directors are set out on pages 7 and 8. The directors are not related to one another.

Guideline 2.5
In view of the scope and nature of the operations of the company and requirements of the business, the Board thinks that the number of Directors on the Board has been appropriate.

Guideline 1.1
The Board believes that its primary role is to protect and enhance long-term shareholder value. To this end, it sets the overall strategy for the Company and its subsidiaries (collectively, the "**Group**") and oversees management. To fulfill this objective, the Board takes responsibility for implementing and maintaining sound corporate governance practices for the Group. The Board provides leadership, sets strategic direction, establishes a framework of prudent and effective controls, risk policies and procedures and requires goals from management as well as monitors the achievement of those goals.

The Board encourages stakeholder engagement by identifying the key stakeholder groups and understanding their perceptions on the company especially the sustainability issues. Setting high ethical standards for all levels within the company is the Board's priority.

Guideline 1.2
All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.

Guideline 1.3
To assist in the execution of its responsibilities, the Board has established the following committees, namely an Audit Committee, a Nominating Committee, a Remuneration Committee and a Risk Management Committee. These committees are chaired by independent and non-executive directors and function within clearly defined terms of reference and operating procedures. The Board and the Committees meet regularly and, if necessary, on an ad hoc basis.

Guideline 1.4
To facilitate the ease, frequency and speed of Board meetings, the Company's Constitution allows Board members to attend meetings via any electronic or telegraphic methods of simultaneous communication including via tele-conference.

Guideline 1.5
Question: *What are the types of material transactions which require approval from the Board?*

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

Guideline 1.6
Question: *(a) Are new directors given formal training? If not, please explain why.*

(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to- date?

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

The directors are also updated in a timely manner on regulatory changes which have a bearing on the Company and the directors' obligations towards the Company.

With effect from 1 July 2010, all directors are encouraged to obtain at least 8 hours continuing education each financial year by way of seminars, courses, and other programs relating to the discharge of their duties as directors. In addition, independent directors are encouraged to visit one or more of the Group's facilities outside Singapore and attend in-house training programs offered by the Group to its employees in order to more fully understand the Group's business and day-to-day operations.

The Company is prepared to undertake funding for such continuing education. During FY2019, all directors met the continuing education target.

Attendances and number of meetings

Guideline 1.4
The following table shows the number of meetings held and directors' attendances during the financial year under review:

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

NA – not applicable as the director was not a member of the Committee at the time of meeting
* – attendance by invitation of the Committee
** – attendance as Secretary of the Committee

Separation of the roles of Chairman and Chief Executive Officer

Guideline 3.1 and 5.3
Ms Sumitri Mirnalini Menon @ Rabia is the non-executive chairman of the Board of Directors and Mr. Christopher Borch is the chief executive officer (CEO) of the Group. The chairman, the CEO and the executive directors are not related to one another.

The major responsibilities of the non-executive chairman are:

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

- to set Board meeting agendas in consultation with the company secretary and the executive directors;
- to review all Board papers;
- to provide adequate, timely and relevant materials and Board papers to the Board members to help to ensure the quality, quantity and timeliness of the flow of information between management and the Board;
- to ensure the Company practices effective communications with shareholders;
- to assist in ensuring compliance with the Company's guidelines on corporate governance; and
- to propose new members to be appointed to the Board with consultation with the Nominating Committee.

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

Board Membership and Performance

Guideline 4.1
The Nominating Committee ("**NC**") has four members, all of whom are independent and non-executive directors. The members are:

Chairman:	Sumitri Mirnalini Menon @ Rabia
Member:	Girija Pande
Member:	Lai Chin Yee
Member:	Kenny Kwan Yew Kwong

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

Guideline 2.6
Question: *(a)* *What is the Board's policy with regard to diversity in identifying director nominees?*

(b) *Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.*

(c) *What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?*

To ensure an independent Board, the Board will make sure that all Board members are not relating to each other. The Board comprises at least half of the members are independent and non-executive and Chairman of the Board and all Committees are chaired by independent and non-executive. The Board encourages diversity of the members in terms of their competency, expertise, background, races, gender and nationalities so that the members can contribute to the Board with different perspectives and insights.

The Board currently comprises four independent and non-executive directors and three executive directors. The independent directors are two lawyers, a Finance Director of a listed company and a consultant who was from senior management of a reputable global organisation. The composition of the Board is diverse, its members being of different genders and nationalities and possessing different skill sets and experience. The Board previously had six members and its present number is likely to revert to six upon yearly rotation. We are satisfied with the composition and size of the Board. For relevant particulars of our members, please refer to pages 7 and 8.

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

Guideline 4.6
Question: *Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.*

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

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

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

Regarding re-electing incumbent directors, the Board will comply with the Company's Constitution requiring one-third of our directors to retire and subject themselves to re-election by shareholders at every AGM. After taking into account their contribution and performance, the NC will recommend the Board re-nominate the retired directors for re-appointment at the forthcoming AGM.

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

Guideline 5.1
Question: *(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?*

(b) Has the Board met its performance objectives?

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

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

Guideline 4.2
The NC's written terms of reference, which describe its major responsibilities, are:

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

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

– to determine whether a director is able to and has been adequately carrying out his/her duties as a director of the Company;

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

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

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

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

Guideline 4.4
Question: *(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?*

(b) If a maximum number has not been determined, what are the reasons?

(c) What are the specific considerations in deciding on the capacity of directors?

The NC also investigated each director's other board appointments and found their directorship in other companies had no relationship or conflict of interests to the Company. It is part of the NC's duties to review and ascertain whether any director who has multiple Board representations is able to and has been effectively carrying out his duties as a director in accordance with its internal guidelines in this regard and to ensure these guidelines remain relevant. All directors are required to formally declare their other Board representations.

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

During FY2019, directors achieved full attendance in Board, Nominating Committee, Remuneration Committee and Risk Management Committee meetings. Only one director was absent from one Audit Committee meeting as he was unavoidably overseas.

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

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

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

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

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

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

Guideline 2.3
An independent director should have no relationship (whether familial, business, financial, employment or otherwise) with the company, its related corporations, substantial shareholders or officers, which could interfere or be perceived to interfere with the director's independent judgment.

A director is independent if he or she:

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

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

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

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

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

(f) is not a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organization to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments (in excess of an aggregate of S$200,000 per annum) in the current or immediate past financial year;

(g) does not have an immediate family member who is a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organization to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments (in excess of an aggregate of S$200,000 per annum) in the current or immediate past financial year;

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

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

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

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

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

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

– The status of each of its members, that is whether each is an independent or non-independent director (and any change in status that occurred during the year) and their period of office;

– The justification for designating any member an independent director who fails to meet all of the criteria stated above or whose status requires an explanation for any reason; and

– The policy and criteria mentioned above.

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

Guideline 2.3
Question: *(a)* *Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.*

(b) *What are the Board's reasons for considering him independent? Please provide a detailed explanation.*

All of our independent director are deemed to be independent according the Code and the policy mentioned above.

Ms Sumitri Mirnalini Menon @ Rabia, Mr Girija Pande, Miss Lai Chin Yee and Mr Kenny Kwan Yew Kwong have satisfied the criteria stipulated in the above policy and the Board is of the view they are in fact independent and non-executive directors. For key information relating to the directors, please refer to the particulars of the directors as set out on pages 7 and 8 . The dates of first appointment and last re-appointment of each director are provided in the Corporate Information section on page 11.

Guideline 2.7 and 2.8
The roles of independent and non-executive directors are to constructively challenge the Management's proposed strategies and also review their performance in line with agreed goals. Chairman of the Board, Audit Committee (AC), Nominating Committee (NC), Remuneration Committee (RC) and Risk Management Committee (RMC) are independent and non-executive directors to ensure its independence and objectivity. Members of AC, NC and RC are all independent and non-executive directors. Management and Executive Directors are invited for meetings only on a need basis.

Guideline 4.7
The Company's Constitution requires one-third of our directors to retire and subject themselves to re-election by shareholders at every AGM. At the forthcoming AGM, Mr Low Ming Wah and Mr Girija Pande will retire by rotation. Mr Low will be standing for re-election. After taking into account his contribution and performance the NC has recommended to the Board that Mr Low be re-nominated for re-appointment at the forthcoming AGM. Mr Pande will not be standing for re-election. Mr Pande was first appointed as an Independent Director of the Company in September 2009. As he has served on the Board for nine years, Mr Pande has decided to not stand for re-election in observance of the nine-year rule on independent directors as part of Board renewal.

Pursuant to Article 103 of the Company's Constitution, Mr Kenny Kwan Yew Kwong, will also retire by rotation and is eligible for re-election at the forthcoming AGM.

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

Guideline 2.4

Question: *Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.*

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

Ms Sumitri Mirnalini Menon @ Rabia has fulfilled all the criteria according to Guideline 2.3 being an independent director. The Board also judged her independent in character and judgment and noted factors demonstrating continued independence such as expressions of frank, divergent and independent views at meetings, the complete absence of any other circumstances that might compromise independence and the absence of any evidence of a lack thereof. The Board is confident that Ms Sumitri Mirnalini Menon @ Rabia has the ability to continue exercising strong independent judgment in the discharge of her duties and have requested that she continue for the ensuing year. Ms Sumitri Mirnalini Menon @ Rabia has acceded to the Board's request.

Under the chairmanship of Ms Sumitri Mirnalini Menon @ Rabia, the company has received a number of public recognitions from Singapore Corporate Awards, Securities Investors Association (Singapore) and Asia Money for its good corporate governance practices since its IPO. We received Best Managed Board Gold Award in 2012 and 2017. In the latest Singapore Governance and Transparency Index (SGTI) 2019 released on 7 August 2019, Micro-Mechanics ranked 17th (23rd in 2018) out of 578 companies listed under general category on the Singapore Exchange. Our current SGTI score is commendable 101 (97 in 2018).

ACCESS TO INFORMATION

Guideline 6.1

Question: *What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?*

The management supplies financial, marketing, human resource and asset management reports and financial highlight to the Board monthly. Quarterly, the Board will receive quarterly financial report with budget variance analysis. The Directors have separate, unfettered and direct access to the management team, the company secretary, the internal auditor and the external auditors at all times.

Every quarter, there will be Board meeting and Committee meetings for the independent directors to meet up with the management to understand more about Company's business and financial environment and review and approve transactions according to the Internal Guideline and Listing Rules. Risk Management Committee holds quarterly meeting on matters relating risk governance.

Independent directors are encouraged to visit our overseas subsidiaries and may do so with or without the presence of management as they may prefer.

Guideline 6.2
The Board and the Committees are furnished with complete, adequate and reliable board/committee papers and information in a timely manner prior to any meeting so as to facilitate directors in the proper and effective discharge of their duties. Detailed Board papers are prepared for each meeting of the Board and are normally circulated one week in advance of each meeting. The Board papers include sufficient information from management on financial, business and corporate issues to enable the directors to properly consider these matters before the Board at meetings. A budget variance report is also submitted to the Board every quarter. According to the Board evaluation, the Board members are satisfied with the arrangement and support from the company secretary.

Guideline 6.3
The company secretary attends and minutes all Board/Committee meetings. He assists with proper procedure and compliance with the Companies Act, the Company's Constitution and other applicable rules and regulations. The directors have full access to the company secretary with regard to any corporate issues.

Guideline 6.4
The appointment or the removal of the company secretary is subject to the approval of the Board.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies
Level and Mix of Remuneration

Guideline 7.1
The Remuneration Committee ("**RC**") has four members, all of whom are independent and non-executive directors.

The members are:

Chairman:	Girija Pande
Member:	Sumitri Mirnalini Menon @ Rabia
Member:	Lai Chin Yee
Member:	Kenny Kwan Yew Kwong

Guideline 7.2
The RC's written terms of reference which describe its major responsibilities, are:

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

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

– to review service contracts of the executive directors; and

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

Principle 8 and 9

Guideline 9.6

Question: *(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.*

(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?

(c) Were all of these performance conditions met? If not, what were the reasons?

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

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

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

Guideline 9.5 and 8.2

The Performance Shares Plan ("**Plan**") was approved by Shareholders on 30 October 2008 and expired on 30 October 2018. Under the Plan, 546,000 new shares were issued to the employees in FY2009, FY2011 and FY2012. None of our directors have received any shares from the Plan.

As at 30 June 2019, there were 57 employees, 3 executive directors and 3 independent non-executive directors who were holding shares in the Company.

Guideline 9.1

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

Effective from FY2019, as part of the Company's succession plan, the CEO, COO and CFO were each requested and agreed to serve in the capacity of a mentor for one year following cessation of his executive role to ensure a smooth assumption of his duties and responsibilities by his successor and to allow the Company continued access to his considerable organizational knowledge.

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

We disclose fully the remuneration of independent directors and any employee relating to the substantial shareholder, CEO or directors.

Guideline 9.2
Question: *Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance- related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?*

The breakdown of the level and mix of remuneration of each Director and the key executives in FY2019 is as follows:

Remuneration of Directors

Remuneration band & name of Director	Director's fee	Salary	Bonus	Allowances/ Benefits	Total
S$750,000 to S$1,000,000					
Christopher R. Borch	7%	45%	47%	1%	100%
Low Ming Wah	7%	44%	46%	3%	100%
Chow Kam Wing	7%	44%	46%	3%	100%

Remuneration band & name of Director	Director's fee	Salary	Bonus	Allowances/ Benefits	Total
Sumitri Mirnalini Menon @ Rabia	99,000	–	–	–	99,000
Girija Prasad Pande	69,000	–	–	–	69,000
Lai Chin Yee	87,000	–	–	–	87,000
Kenny Kwan Yew Kwong#	2,538	–	–	–	2,538

Mr Kwan was appointed on 14 June 2019

Guideline 8.3
The independent and non-executive directors receive directors' fees in line with the market bearing in mind the size of the company and the level of contribution, time spent, efforts and responsibilities of each independent and non-executive director. The calculation of director's fees for independent and non-executive directors is as follows:

- the base director's fee + 15% for each Committee Chairperson;
- the base director's fee + 30% for Audit Committee Chairperson; and
- the base director's fee + 50% for Board Chairperson.

The base director's fee was revised in FY2019 after benchmarking with the peer listed companies with a market capitalization in the range of S$250 million. The base director's fee had not been revised since the Company's IPO in 2003.

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

Guideline 9.3
Question: *Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?*

Remuneration of key management personnel

Remuneration band & name of key management personnel	Director's fee	Salary	Bonus	Allowances/ Benefits	Total
Below S$250,000					
Colin Wojno	–	84%	10%	6%	100%
Tan Beng Lim	–	67%	18%	15%	100%
Richie Cajili Manuel	–	62%	35%	3%	100%
Shen Zi Quan	–	55%	39%	6%	100%
Neo Say Chow	–	65%	17%	18%	100%

Question: *Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).*

The aggregate remuneration paid to the top 5 key management personnel is S$733,622.

Guideline 9.4
Question: *Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.*

Mr. Kyle Borch, the eldest son of Mr. Christopher Borch joined Micro-Mechanics, Inc (a subsidiary of the Company) on 27 August 2018 as a Manufacturing Engineer. Mr. Borch received a BS in Physics and Math from the University of California Los Angeles (UCLA) in 2014 and MS degrees in Mechanical Engineering and Engineering Management from the University of Southern California in 2018. Mr. Borch's current role is non-managerial with total remuneration during the financial year ended 30 June 2019 of approximately S$92k.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10
The Board is accountable to the shareholders while the management is accountable to the Board. The Board is mindful of its obligation to provide timely, reliable and fair disclosure of material information in compliance with the SGX-ST Listing Manual and present the financial results quarterly, half yearly and yearly to the public. The management announced the quarterly and the half yearly financial results within 30 days from the relevant financial period. The CEO and CFO certify all such financial results.

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

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

Audit Committee

Guideline 12.1
The Audit Committee ("**AC**") comprises four members, all of whom are independent and non-executive Directors.

Chairman: Lai Chin Yee
Member: Sumitri Mirnalini Menon @ Rabia
Member: Girija Pande
Member: Kenny Kwan Yew Kwong

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

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

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

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

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

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

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

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

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

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

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

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

– to review the corporate governance processes.

Guideline 12.5
In the financial year under review, the AC met with the external auditor and internal auditor without the presence of executive directors and senior management. All AC meetings were run without the presence of executive directors and senior management unless invited by the AC to attend for any particular reason.

Guideline 12.6
Question: *Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.*

The AC has reviewed the non-audit services performed by the external auditors and is satisfied that the provision of such services has not affected the independence of the external auditors. The AC has recommended their re-appointment at the forthcoming AGM. The aggregate amount of fees paid to the external auditors for the year is S$164k and the non-audit services fee is S$27k.

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

Guideline 12.8
It is the Company's practice for our external auditor to present the AC with their audit plan and with updates relating to any change of accounting standards impacting on the financial statements before an audit commences. It is also the responsibility of the CFO to update the Board on any changes in accounting standards which may have an impact on the financial statements. During the financial year in review, the changes in accounting standards did not have any significant impact on the Company's financial statements.

Guideline 12.9
It is the company's practice not to recruit any former/current partner or director of the company's existing internal or external auditing firm acting as Board member or any Committee member.

Whistle Blowing Policy

Guideline 12.7
The Board has formulated a written and comprehensive Whistle Blowing policy which has been disseminated throughout the Group and is an integral part of the Company Handbook. The Board believes that this policy will, inter alia, act as a deterrent to malpractice and wrongdoing, encourage openness, promote transparency and underpin the risk management systems of the Group.

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

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

The policy covers all and any improprieties and wrongdoings:

– affecting the financial position of the company;

– relating to the honesty and integrity of the company's dealings;

– relating to the honesty and integrity of any employee or director in the course of his or her employment or dealing with or on behalf of the company.

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

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

INTERNAL CONTROLS AND INTERNAL AUDIT

Guideline 13.1, 13.2 and 13.5
We maintain a sound internal control and internal audit system to ensure the integrity and reliability of our financial information, as well as to safeguard shareholder value and the Group's assets. The system is strengthened and reinforced by the Group's internal auditor who carries out regular internal audits to ensure compliance with stipulated internal controls, applicable laws and regulations.

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

Guideline 13.4 and 13.3
Question: *Does the Company have an internal audit function?*

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

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

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.

RISK MANAGEMENT

The Company has put in place internal controls necessary to identify and manage significant business risks. The Company's internal audit function provides an independent resource and perspective to the AC by highlighting any areas of concern discovered during the course of performing such internal audit process.

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

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

In June 2016, our Singapore plant operations was successfully certified as conforming to the Business Continuity Management System standard ISO22301:2012; it was audited in May 2019 and successfully renewed.

Financial risk management is discussed in Note 19 to the financial statements set out on page 101.

Risk Management Committee
Risk Management Committee was formed on 28 August 2014 to strengthen the Group's risk management processes and framework. It comprises four independent directors and two executive directors:

Chairman:	Lai Chin Yee
Member:	Sumitri Mirnalini Menon @ Rabia
Member:	Girija Pande
Member:	Kenny Kwan Yew Kwong
Member:	Low Ming Wah
Member:	Chow Kam Wing

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

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

– ensure the management maintains a sound system of risk management;

– recommend and review the implementation of risk management framework;

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

– review the Group's risk profiles regularly; and

– review breaches of risk appetite and tolerances.

The Committee will take reference of ISO 31000 Risk Management Standards and Committee of Sponsoring of the Treadway Commission (COSO) Model for assessing the effectiveness of its risk management system and ISO27000 for its IT governance.

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

Guideline 11.1 and 11.3
The Risk Management Committee reports to the Board quarterly. The Board determines and reviews the company's levels of risk tolerance and risk policies and oversees the risk management and internal control systems.

Guideline 11.3 and Listing Rule 1207 (10)
Question: *(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.*

(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?

The Board's opinion is, with the concurrence of the AC, that there are adequate internal controls in place to address material financial, operational and compliance risks during the financial year and up to the date of this report after considering the following:

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

– quarterly report by Risk Management Committee;

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

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

– assurance obtained from the CEO and CFO as well as internal auditor (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances and (b) regarding the effectiveness of the company's risk management and internal control systems. The audited report was signed by the CEO and CFO. Similar assurance from subsidiary and finance heads.

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

Earthquake Damage in California – California is an earthquake prone area. The Group's factory in the USA is situated in Morgan Hill, California. The Board has ascertained that insurance deductibles on any policy obtainable to cover damage as a consequence is very high such as, as in the Board's view, to make coverage ineffective. Furthermore, the greater damage is likely to be caused by flooding in the event of a large earthquake, and this consequence is not insurable at all in this region. After due consideration, the management has decided not to insure against earthquake damage. The management has taken and shall continue to take steps to minimize potential damages and loss by employee education training programs and by proper bracing and anchoring of the contents in the plant. As at 30 June 2019, our USA operations recorded an annual revenue of S$11.3 million and had total assets of S$14.8 million.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

CONDUCT OF SHAREHOLDER MEETINGS

Principle 15
Investor Relations Practices and Guidelines
The main objectives of the Company's Investor Relations (IR) are to:

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

Guideline 15.2
The Company's primary communication platforms are its annual report, announcements posted on the SGXNET and Company website, and Annual General Meeting. The Company augments its communications with regular analyst/media briefings, one-on-one meetings and conference calls when required.

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

Guideline 15.4
Question: *(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?*

(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?

(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?

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

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

Guideline 15.3 and 14.1

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

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

The Company conducts its IR on the following principles:

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

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

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

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

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

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

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

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

Encouraging Greater Shareholder Participation

Guideline 14.2
Annual reports and notices of AGMs are sent to all shareholders 21 days before AGM. Such notices are also published in the local newspapers and announced via SGXNET. Shareholders are encouraged to attend the Company's AGMs. To enhance shareholders' participation, the Company holds its AGM at central locations within walking distance from MRT stations.

During AGM, it is our practice that the Chairman will read out the rules, including voting procedures that govern the AGM so that the shareholders can participate in and vote effectively.

Guideline 16.3
At AGMs, the CEO, COO and CFO will conduct a presentation on the Company's developments, financial results, outlook and strategy to provide shareholders with updates on the Company's progress. Shareholders also have the opportunity to share with and communicate their views to the Board. The Chairpersons of the Audit, Nominating, Remuneration Committees and Risk Management Committee as well as the external auditors are requested to be present and available to address any queries by shareholders.

Guideline 16.5 and 16.2
All resolutions tabled at the AGM are voted by Poll counted and validated by an independent scrutineer. The Board takes note that there should be a separate resolution at general meetings on each substantially separate issue and will provide reasons and material implications where resolutions are interlinked.

Guideline 16.4 and 16.5
The Company publishes the results of the voting on each resolution tabled and posts the minutes of the AGM recording the shareholders' questions and answers via SGXNET. The minutes of the AGM include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management.

Training and Development for Employees
We are committed to providing our employees with opportunities to develop their potential through relevant training programs. The focus of such training programs is skills upgrading and education in areas directly related to an employee's present work and/or future development. During FY2019, about 474 confirmed employees received formal and structured training of 6,011 hours, not including on-the-job training.

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

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

Guideline 15.5

Dividend policy

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

SECURITIES TRADING CODE

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

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

INTERESTED PERSON TRANSACTIONS

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

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.

On 22 October 2018, the Group announced that its wholly-owned subsidiary Micro-Mechanics Inc (MMUS) has entered into an agreement relating to the payment of electrical services provided to the factory with Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO and substantial shareholder of the Company.

For the financial year ended 30 June 2019, the Group has made rental payment of US$374,000 (30 June 2018: US$362,000) and electrical services payment of US$85,067 (30 June 2018: Nil) to Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

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

DIRECTORSHIPS

Guideline 4.4

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

Name	Present Directorships	Past Directorships (preceding 3 years)
Christopher Borch	NIL	NIL
Low Ming Wah	NIL	NIL
Chow Kam Wing	NIL	NIL
Sumitri Mirnalini Menon @ Rabia	NIL	NIL
Girija Pande	NIL	Ascendas Property Fund Trustee Pte Ltd
Lai Chin Yee	Qian Hu Corporation Limited	Ryobi Kiso Holdings Ltd
Kenny Kwan Yew Kwong	Keppel DC REIT Management Ltd	NIL

DIRECTORS' STATEMENT

Year ended 30 June 2019

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2019.

In our opinion:

(a) the financial statements set out on pages 69 to 116 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

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

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

DIRECTORS

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

Christopher Reid Borch
Low Ming Wah
Chow Kam Wing
Sumitri Mirnalini Menon @ Rabia
Girija Prasad Pande
Lai Chin Yee
Kwan Yew Kwong, Kenny (Appointed on 14 June 2019)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company are as follows:

Name of director in which interests are held	At beginning of the year	At end of the year	At 21 July 2019
Ordinary shares			
Christopher Reid Borch	72,335,169	72,335,169	72,335,169
Low Ming Wah	7,127,001	7,127,001	7,127,001
Chow Kam Wing	2,812,000	2,812,000	2,812,000
Sumitri Mirnalini Menon @ Rabia	300,000	300,000	300,000
Girija Prasad Pande	200,000	200,000	200,000
Lai Chin Yee	20,000	20,000	20,000
Kwan Yew Kwong, Kenny	0	0	0

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

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

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

SHARE OPTIONS

During the financial year, there were:

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

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

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

AUDIT COMMITTEE

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

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

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

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

The Audit Committee also reviewed the following:

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

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

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

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

AUDITORS

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

On behalf of the Board of Directors

Christopher Reid Borch
Director

Chow Kam Wing
Director

29 August 2019

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Micro-Mechanics (Holdings) Ltd. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 116.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

<table>
<tr><th colspan="2">Valuation of Property, Plant and Equipment (PPE)
(Refer to Note 4 to the financial statements)</th></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has PPE with a net book value of $30.8 million.

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

The impairment assessment exercise and the estimation of the recoverable amount is subjective and involves management's judgement.</td><td>Our procedures in relation to management's impairment assessment of PPE included, among others:

• Reviewed management's assessment of existence of impairment indicators, which among others, include observable indicators that the assets value has declined, any adverse economic effect on the CGU and evidence of obsolescence.
• Evaluated management's computation and assumptions used in determining the recoverable amount of MMUS, including the projected revenue growth rates, projected gross profit margin, terminal value and discount rates. The recoverable amount was determined based on VIU method, using a discounted cash flows (DCF) model.
• Assessed the reasonableness of the management assumptions made in the DCF model by comparing the parameters in the DCF model against available market data and historical performances of MMUS.
• Performed sensitivity analysis on the DCF model.
• Reviewed the disclosures included in the financial statements against the requirements of the accounting standards.

We found management's process of assessing for impairment indicators to be appropriate and the estimates used to determine recoverable amounts to be balanced.</td></tr>
</table>

<table>
<tr><th colspan="2">Valuation of the Company's investment in Micro-Mechanics Inc. (MMUS)
(Refer to Note 5 to the financial statements)</th></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Company has investment in MMUS stated at cost less accumulated impairment losses (of $6.4 million) amounting to $19.9 million.

In performing the impairment assessment, judgement is required to assess management assumptions used in computing the recoverable amount. There is a risk of additional impairment should the carrying amount of investment exceed the recoverable amount.</td><td>Our procedures in relation to the valuation of investment in MMUS included, among others:

• Evaluated management's computation and assumptions used in determining the recoverable amount of MMUS, including the projected revenue growth rates, projected gross profit margin, terminal value and discount rates. The recoverable amount was determined based on VIU method, using a DCF model.
• Assessed the reasonableness of the management assumptions made in the DCF model by comparing the parameters in the DCF model against available market data and historical performances of MMUS.
• Performed sensitivity analysis on the DCF model.

We found the estimates used in determining the recoverable amount to be balanced.</td></tr>
</table>

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Yeo Lik Khim.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
29 August 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

		Group			Company		
	Note	2019 $	2018 $	1 July 2017* $	2019 $	2018 $	1 July 2017 $
Assets							
Property, plant and equipment	4	30,811,334	33,265,855	26,157,348	–	–	–
Right-of-use assets	4	1,815,233	2,279,133	1,876,724	–	–	–
Subsidiaries	5	–	–	–	29,095,544	29,095,544	18,364,744
Trade and other receivables	7	428,008	125,034	439,394	–	–	982,318
Deferred tax asset	11	48,409	56,529	–	–	–	–
Non-current assets		33,102,984	35,726,551	28,473,466	29,095,544	29,095,544	19,347,062
Inventories	6	4,514,659	4,578,394	3,669,372	–	–	–
Trade and other receivables	7	10,380,307	11,898,398	11,906,718	2,596,890	2,687,634	2,191,764
Cash and cash equivalents	8	21,881,179	21,087,382	23,422,290	8,743,944	2,017,182	11,554,207
Current assets		36,776,145	37,564,174	38,998,380	11,340,834	4,704,816	13,745,971
Total assets		69,879,129	73,290,725	67,471,846	40,436,378	33,800,360	33,093,033
Shareholders' equity							
Share capital	9	14,782,931	14,782,931	14,782,931	14,782,931	14,782,931	14,782,931
Reserves	10	43,577,056	45,521,610	39,988,372	24,928,388	18,472,255	17,961,839
Total equity		58,359,987	60,304,541	54,771,303	39,711,319	33,255,186	32,744,770
Liabilities							
Deferred tax liabilities	11	1,434,464	1,476,961	1,406,658	213,960	192,772	–
Trade and other payables	12	643,777	595,729	404,171	–	–	–
Lease liabilities	13	967,621	1,289,588	835,582	–	–	–
Non-current liabilities		3,045,862	3,362,278	2,646,411	213,960	192,772	–
Trade and other payables	12	6,436,347	7,077,091	7,810,579	502,740	346,171	343,311
Lease liabilities	13	847,230	923,845	916,621	–	–	–
Current tax payable		1,189,703	1,622,970	1,326,932	8,359	6,231	4,952
Current liabilities		8,473,280	9,623,906	10,054,132	511,099	352,402	348,263
Total liabilities		11,519,142	12,986,184	12,700,543	725,059	545,174	348,263
Total equity and liabilities		69,879,129	73,290,725	67,471,846	40,436,378	33,800,360	33,093,033

* See Note 22

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	14	60,330,946	65,101,858
Cost of sales		(27,962,857)	(28,012,129)
Gross profit		32,368,089	37,089,729
Other income		628,009	777,282
Distribution costs		(3,213,105)	(3,238,392)
Administrative expenses		(9,350,468)	(9,252,145)
Other operating expenses		(3,363,301)	(3,526,127)
Profit before tax	15	17,069,224	21,850,347
Tax expense	16	(4,120,519)	(4,706,833)
Profit for the year		12,948,705	17,143,514
Attributable to:			
Owners of the Company		12,948,705	17,143,514
Non-controlling interests		–	–
Profit for the year		12,948,705	17,143,514
Other comprehensive income			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations, net of tax		(922,545)	855,088
Item that will not be reclassified to profit or loss:			
Remeasurement income on retirement benefits	12	(69,824)	50,708
Related tax	11	2,298	(3,203)
Total comprehensive income for the year		11,958,634	18,046,107
Total comprehensive income attributable to:			
Owners of the Company		11,958,634	18,046,107
Non-controlling interests		–	–
Total comprehensive income for the year		11,958,634	18,046,107
Earnings per share (in cents) – basic and diluted	17	9.31	12.33

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2019

	Share capital $	Foreign currency translation reserve $	Accumulated remeasurement on retirement benefits $	Accumulated profits $	Total $
At 1 July 2017	14,782,931	(5,436,297)	–	45,424,669	54,771,303
Effect on transition to SFRS(1)s – (Note 22)	–	5,436,297	–	(5,436,297)	–
Balance as at 1 July 2017 (SFRS(I))	14,782,931	–	–	39,988,372	54,771,303
Total comprehensive income for the year					
Profit for the year	–	–	–	17,143,514	17,143,514
Other comprehensive income					
Foreign currency translation differences	–	855,088	–	–	855,088
Remeasurement income on retirement benefits, net of tax	–	–	47,505	–	47,505
Total other comprehensive income	–	855,088	47,505	–	902,593
Total comprehensive income for the year	–	855,088	47,505	17,143,514	18,046,107
Transactions with owners of the Company, recognised directly in equity					
Interim dividend of 4.0 cents per share (tax-exempt) in respect of 2018	–	–	–	(5,561,275)	(5,561,275)
Final dividend of 5.0 cents per share (tax-exempt) in respect of 2017	–	–	–	(6,951,594)	(6,951,594)
Total transactions with owners of the Company	–	–	–	(12,512,869)	(12,512,869)
At 30 June 2018	14,782,931	855,088	47,505	44,619,017	60,304,541

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2019

	Share capital $	Foreign currency translation reserve $	Accumulated remeasurement on retirement benefits $	Accumulated profits $	Total $
At 1 July 2018	14,782,931	855,088	47,505	44,619,017	60,304,541
Total comprehensive income for the year					
Profit for the year	–	–	–	12,948,705	12,948,705
Other comprehensive income					
Foreign currency translation differences	–	(922,970)	425	–	(922,545)
Remeasurement income on retirement benefits, net of tax	–	–	(67,526)	–	(67,526)
Total other comprehensive income	–	(922,970)	(67,101)	–	(990,071)
Total comprehensive income for the year	–	(922,970)	(67,101)	12,948,705	11,958,634
Transactions with owners of the Company, recognised directly in equity					
Interim dividend of 4.0 cents per share (tax-exempt) in respect of 2019	–	–	–	(5,561,275)	(5,561,275)
Final dividend of 6.0 cents per share (tax-exempt) in respect of 2018	–	–	–	(8,341,913)	(8,341,913)
Total transactions with owners of the Company	–	–	–	(13,903,188)	(13,903,188)
At 30 June 2019	14,782,931	(67,882)	(19,596)	43,664,534	58,359,987

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Profit for the year		12,948,705	17,143,514
Adjustments for:			
Depreciation of property, plant and equipment		6,530,719	5,908,386
Property, plant and equipment written off		6,824	6,189
Loss/(Gain) on disposal of property, plant and equipment		2,329	(247,801)
Interest income		(226,646)	(157,486)
Interest expense on lease liabilities		106,455	84,035
Tax expense		4,120,519	4,706,833
		23,488,905	27,443,670
Changes in working capital:			
Inventories		(31,092)	(849,826)
Trade and other receivables		962,256	427,937
Trade and other payables		(597,184)	(846,796)
Cash generated from operations		23,822,885	26,174,985
Income tax paid		(4,555,973)	(3,760,766)
Net cash from operating activities		19,266,912	22,414,219
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,418,145)	(12,120,713)
Proceeds from disposal of property, plant and equipment		14,697	553,957
Interest received		231,304	159,444
Net cash used in investing activities		(3,172,144)	(11,407,312)
Cash flows from financing activities			
Payment of lease liabilities		(1,109,070)	(1,108,513)
Dividends paid		(13,903,188)	(12,512,869)
Net cash used in financing activities		(15,012,258)	(13,621,382)
Net increase/(decrease) in cash and cash equivalents		1,082,510	(2,614,475)
Cash and cash equivalents at 1 July		20,918,381	23,261,940
Effect of exchange rate fluctuations		(283,112)	270,916
Cash and cash equivalents at 30 June*	8	21,717,779	20,918,381

* *Differ from cash and cash equivalents in consolidated statements of financial position due to deposits pledged not considered as part of the cash and cash equivalents in consolidated statement of cash flows. Refer to Note 8 for details.*

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 August 2019.

1 DOMICILE AND ACTIVITIES

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

The financial statements of the Group as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) have affected the reported financial position, financial performance and cash flows is provided in note 22.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

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

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

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

- Note 4 – estimation of useful lives and valuation of property, plant and equipment
- Note 5 – valuation of investments in subsidiaries
- Note 6 – valuation of inventories
- Note 19 – valuation of trade receivables

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position as at 1 July 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Transactions eliminated on consolidation

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

3.2 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Leases

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  – The Group has the right to operate the asset; or

  – The Group designated the asset in a way that predetermines how and for what purpose it will be used.

Recognition and measurement

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

Depreciation

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

3.5 Inventories

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments

Non-derivative financial assets

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

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

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

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

Financial assets at amortised cost

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

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Cash and cash equivalents comprise cash balances and bank deposits.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

Non-derivative financial liabilities

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

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

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

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments

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

Non-trading derivatives

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

3.7 Impairment

Non-derivative financial assets

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

Financial assets at amortised cost

Loss allowances are measured on either of the following bases:

- 12-month 'expected credit loss' (ECLs): these are ECLs that result from possible default events within 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

Non-derivative financial assets (continued)

Financial assets at amortised cost (continued)

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

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

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

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

Credit impaired financial assets

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

Non-financial assets

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

Non-financial assets (continued)

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

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

3.8 Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Employee benefits (continued)

(ii) Defined benefit plans (continued)

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

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

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

(iii) Unconsumed leave

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

(iv) Short-term benefits

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

3.9 Lease liabilities

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

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

– Fixed payments, including in-substance fixed payments;

– Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– Amounts expected to be payable under a residual value guarantee; and

– The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Lease liabilities (continued)

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

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

Short term leases and leases of low-value assets

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

3.10 Income tax expense

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Income tax expense (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.11 Revenue

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

3.12 Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.13 Dividend income

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

3.14 Government grants

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

3.15 Earnings per share

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Segment reporting

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

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

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

3.17 New standards and interpretations not yet adopted

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

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties $	Plant and equipment $	Assets under construction $	Furniture, fittings and office equipment $	Motor vehicles $	Total $
Group						
Cost						
At 1 July 2017	14,311,846	45,687,510	226,316	6,566,505	638,711	67,430,888
Additions	1,732,730	7,829,359	2,827,506	416,327	784,343	13,590,265
Disposals/Write-off	–	(1,702,481)	–	(441,581)	(586,019)	(2,730,081)
De-recognition due to expiry of lease	(394,155)	–	–	–	–	(394,155)
Translation differences on consolidation	141,301	(69,088)	(1,188)	82,998	(3,212)	150,811
Reclassification	–	3,052,634	(3,052,634)	–	–	–
At 30 June 2018	15,791,722	54,797,934	–	6,624,249	833,823	78,047,728
At 1 July 2018	15,791,722	54,797,934	–	6,624,249	833,823	78,047,728
Additions	760,075	2,470,163	429,018	373,550	20,724	4,053,530
Disposals/Write-off	–	(582,347)	–	(113,454)	(19,597)	(715,398)
De-recognition due to expiry/ termination of lease	(379,155)	–	–	–	–	(379,155)
Translation differences on consolidation	(126,463)	(704,160)	(3,190)	(83,725)	(1,470)	(919,008)
At 30 June 2019	16,046,179	55,981,590	425,828	6,800,620	833,480	80,087,697

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold properties $	Plant and equipment $	Assets under construction $	Furniture, fittings and office equipment $	Motor vehicles $	Total $
Group						
Accumulated depreciation and impairment loss						
At 1 July 2017	6,092,036	27,231,299	–	5,776,896	296,585	39,396,816
Charge for the year	1,389,581	4,005,909	–	369,182	143,714	5,908,386
Disposals/Write-off	–	(1,653,395)	–	(439,649)	(324,692)	(2,417,736)
De-recognition due to expiry of lease	(394,155)	–	–	–	–	(394,155)
Translation differences on consolidation	34,279	(106,358)	–	83,849	(2,341)	9,429
At 30 June 2018	7,121,741	29,477,455	–	5,790,278	113,266	42,502,740
At 1 July 2018	7,121,741	29,477,455	–	5,790,278	113,266	42,502,740
Charge for the year	1,394,751	4,605,451	–	356,906	173,611	6,530,719
Disposals/Write-off	–	(558,763)	–	(113,188)	(19,597)	(691,548)
De-recognition due to expiry/termination of lease	(356,321)	–	–	–	–	(356,321)
Translation differences on consolidation	(58,397)	(385,957)	–	(80,078)	(28)	(524,460)
At 30 June 2019	8,101,774	33,138,186	–	5,953,918	267,252	47,461,130
Carrying amounts						
At 1 July 2017	8,219,810	18,456,211	226,316	789,609	342,126	28,034,072
At 30 June 2018	8,669,981	25,320,479	–	833,971	720,557	35,544,988
At 30 June 2019	7,944,405	22,843,404	425,828	846,702	566,228	32,626,567

Property, plant and equipment comprise owned and leased assets.

	2019 $	2018 $	1 July 2017 $
Property, plant and equipment-owned	30,811,334	33,265,855	26,157,348
Right-of-use assets	1,815,233	2,279,133	1,876,724
	32,626,567	35,544,988	28,034,072

4 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Group	Leasehold property $
Cost	
Initial recognition at 1 July 2017	1,876,724
Additions	1,469,552
De-recognition due to expiry of lease	(394,155)
Translation differences on consolidation	15,473
At 30 June 2018	2,967,594
At 1 July 2018	2,967,594
Additions	635,385
De-recognition due to expiry of lease	(340,011)
De-recognition due to termination of lease	(39,144)
Translation differences on consolidation	(17,270)
At 30 June 2019	3,206,554
Accumulated depreciation	
At 1 July 2017	–
Charge for the year	1,083,093
De-recognition due to expiry of lease	(394,155)
Translation differences on consolidation	(477)
At 30 June 2018	688,461
At 1 July 2018	688,461
Charge for the year	1,068,880
De-recognition due to expiry of lease	(340,011)
De-recognition due to termination of lease	(16,310)
Translation differences on consolidation	(9,699)
At 30 June 2019	1,391,321
Carrying amounts	
At 1 July 2017	1,876,724
At 30 June 2018	2,279,133
At 30 June 2019	1,815,233

Estimation of useful lives of property, plant and equipment

The Group reviews the useful lives of property, plant and equipment at each reporting date in accordance with the accounting policy in note 3.3. The estimation of the useful lives involves significant judgement. The net book value of property, plant and equipment at 30 June 2019 was $30,811,334 (2018: $33,265,855; 1 July 2017: $26,157,348) and the annual depreciation charge for the year ended 30 June 2019 was $5,461,839 (2018: $4,825,293). If the actual useful lives of the property, plant and equipment were longer or shorter than the management's estimate by one year on average, the Group's annual depreciation charge would reduce by $636,627 (2018: $562,776) or increase by $847,811 (2018: $750,772) respectively.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation of property, plant and equipment

During the year, the Company carried out a review of the recoverable amount of MMUS's property, plant and equipment, in view of its loss-making position. The recoverable amount was determined based on value in use method. As a result of the review, no impairment loss was recognised in profit or loss during the year (and in 2018).

5 SUBSIDIARIES

	Company		
	2019	**2018**	**1 July 2017**
	$	**$**	**$**
Investments in subsidiaries, at cost	35,527,955	35,527,955	24,797,155
Impairment losses	(6,432,411)	(6,432,411)	(6,432,411)
	29,095,544	29,095,544	18,364,744

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

Name of subsidiary	Principal activities	Place of incorporation and business	Percentage of equity held by the Group			Cost		
			2019 %	2018 %	1 July 2017 %	2019 $	2018 $	1 July 2017 $
Micro-Mechanics Pte Ltd[1]	Manufacturing of precision tools	Singapore	100	100	100	5,463,500	5,463,500	5,463,500
Micro-Mechanics Technology Sdn Bhd[2]	Manufacturing of precision tools	Malaysia	100	100	100	856,875	856,875	856,875
Micro-Mechanics Technology International, Inc.[2]	Manufacturing of precision tools	The Philippines	100	100	100	347,200	347,200	347,200
Micro-Mechanics Technology (Suzhou) Co. Ltd[2]	Manufacturing of precision tools	People's Republic of China	100	100	100	2,544,407	2,544,407	2,544,407
Micro-Mechanics Inc.[3]	Manufacturing of precision components and modules and sale of precision tools	United States of America	100	100	100	26,315,973	26,315,973	15,585,173
						35,527,955	35,527,955	24,797,155

1 Audited by KPMG LLP, Singapore.
2 Audited by other member firms of KPMG International.
3 Audited by Fiondella, Milone & LaSaracina LLP.

In 2018, the Company increased its investment in Micro-Mechanics Inc., (MMUS) from $15,585,173 to $26,315,973 by way of capital injection in cash.

During the year, the Company carried out a review of the recoverable amount of its investment in MMUS. The recoverable amount was determined based on value in use method. As a result of the review, no additional impairment loss was recognised in profit or loss during the year (and in 2018).

6 INVENTORIES

	Group		
	2019	2018	1 July 2017
	$	$	$
Raw materials	1,513,713	1,605,084	1,337,133
Work-in-progress	864,053	1,048,165	1,098,093
Finished goods	2,136,893	1,925,145	1,234,146
	4,514,659	4,578,394	3,669,372

In 2019, raw materials and changes in finished goods and work-in-progress recognised in cost of sales amounted to $27,962,857 (2018: $28,012,129).

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

7 TRADE AND OTHER RECEIVABLES

	Group			Company		
	2019	2018	1 July 2017	2019	2018	1 July 2017
	$	$	$	$	$	$
Trade receivables	9,455,277	10,874,870	11,013,276	–	–	–
Other receivables	102,688	145,233	131,063	992	755	1,542
Deposits	293,053	343,135	338,372	–	–	500
Amount owing by subsidiaries (non-trade)	–	–	–	2,583,063	2,652,090	3,150,588
Financial assets at amortised cost	9,851,018	11,363,238	11,482,711	2,584,055	2,652,845	3,152,630
Advances to suppliers	436,105	128,861	443,356	–	–	–
Prepayments	491,060	530,249	325,260	12,835	34,789	20,452
Forward exchange contracts	30,132	1,084	94,785	–	–	1,000
Trade and other receivables	10,808,315	12,023,432	12,346,112	2,596,890	2,687,634	3,174,082
Non-current	428,008	125,034	439,394	–	–	982,318
Current	10,380,307	11,898,398	11,906,718	2,596,890	2,687,634	2,191,764
	10,808,315	12,023,432	12,346,112	2,596,890	2,687,634	3,174,082

The Group's non-current trade and other receivables of $428,008 (2018: $125,034; 1 July 2017: $439,394) was due to advance payment made to suppliers to purchase plant and equipment.

As at 1 July 2017, the Company's non-current balances comprised the non-trade amount due from subsidiary which bore interest at 1.40% to 2.20% per annum and was not expected to be repaid within the next 12 months. This amount due from subsidiary was discounted using the implicit interest rate based on effective interest rate of 4.25% per annum in 2017. This amount was repaid in 2018.

8 CASH AND CASH EQUIVALENTS

	Group			Company		
			1 July			1 July
	2019	2018	2017	2019	2018	2017
	$	$	$	$	$	$
Cash at banks and on hand	12,855,847	9,370,706	10,198,754	6,043,944	217,182	2,454,207
Fixed deposits	9,025,332	11,716,676	13,223,536	2,700,000	1,800,000	9,100,000
	21,881,179	21,087,382	23,422,290	8,743,944	2,017,182	11,554,207
Deposits pledged	(163,400)	(169,001)				
Cash and cash equivalents in the statement of cash flows	21,717,779	20,918,381				

The deposits pledged are for the banker's guarantees issued on behalf of subsidiary in Malaysia.

9 SHARE CAPITAL

	2019		2018	
Group and Company	**No. of shares**	**$**	**No. of shares**	**$**
Fully paid ordinary shares, with no par value				
At 1 July and 30 June	139,031,881	14,782,931	139,031,881	14,782,931

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

Capital management

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

The Group defines capital as share capital and accumulated profit.

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

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

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

9 **SHARE CAPITAL** (continued)

Dividends

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

For the year ended 30 June

	Group and Company 2019 $	2018 $
Final tax-exempt dividend paid of 6.0 cents (2018: 5.0 cents) per share in respect of previous financial year	8,341,913	6,951,594
Interim tax-exempt dividend paid of 4.0 cents (2018: 4.0 cents) per share in respect of current financial year	5,561,275	5,561,275
	13,903,188	12,512,869

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

	Group and Company 2019 $	2018 $
Final proposed tax-exempt dividend of 6.0 cents (2018: 6.0 cents) per share	8,341,913	8,341,913

10 **RESERVES**

	Group			Company		
	2019 $	2018 $	1 July 2017 $	2019 $	2018 $	1 July 2017 $
Accumulated profits	43,664,534	44,619,017	45,424,669	24,928,388	18,472,255	17,961,839
Foreign currency translation reserve	(67,882)	855,088	(5,436,297)	–	–	–
Accumulated remeasurement on retirement benefits	(19,596)	47,505	–	–	–	–
	43,577,056	45,521,610	39,988,372	24,928,388	18,472,255	17,961,839

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

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

11 DEFERRED TAX LIABILITIES

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

	At 1 July 2017 $	Recognised in profit or loss (note 16) $	Recognised in other comprehensive income $	Exchange differences $	At 30 June 2018 $	Recognised in profit or loss (note 16) $	Recognised in other comprehensive income $	Exchange differences $	At 30 June 2019 $
Group									
Deferred tax (assets)/ liabilities									
Property, plant and equipment	1,525,959	(190,249)	–	29,455	1,365,165	8,527	–	(16,332)	1,357,360
Others	(119,301)	177,885	(3,203)	(114)	55,267	(30,906)	2,298	2,036	28,695
	1,406,658	(12,364)	(3,203)	29,341	1,420,432	(22,379)	2,298	(14,296)	1,386,055

During the year, the Company's deferred tax expense of $21,188 (2018: $192,772) for temporary differences related to investments in subsidiaries are recognised in profit or loss.

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

	Group			Company		
	2019 $	2018 $	1 July 2017 $	2019 $	2018 $	1 July 2017 $
Deferred tax liabilities	1,434,464	1,476,961	1,406,658	213,960	192,772	–
Deferred tax assets	(48,409)	(56,529)	–	–	–	–
Net deferred tax liabilities	1,386,055	1,420,432	1,406,658	213,960	192,772	–

12 TRADE AND OTHER PAYABLES

	Group			Company		
	2019 $	2018 $	1 July 2017 $	2019 $	2018 $	1 July 2017 $
Trade payables	683,580	797,705	1,441,677	–	–	–
Other payables	1,250,349	1,835,119	1,565,013	28,928	27,108	26,248
Accrued expenses	4,687,574	4,590,335	4,823,755	473,812	319,063	317,063
Advances from customers	141,120	180,417	103,481	–	–	–
Forward exchange contracts	4	63,555	1,174	–	–	–
Provision for retirement benefits	317,497	205,689	279,650	–	–	–
	7,080,124	7,672,820	8,214,750	502,740	346,171	343,311
Non-current	643,777	595,729	404,171	–	–	–
Current	6,436,347	7,077,091	7,810,579	502,740	346,171	343,311
	7,080,124	7,672,820	8,214,750	502,740	346,171	343,311

12 TRADE AND OTHER PAYABLES (continued)

Included in accrued expenses is provision for reinstatement costs of:

Group	Reinstatement costs $
At 1 July 2017	124,521
Unwind of discount on reinstatement costs	6,423
At 30 June 2018	130,944
At 1 July 2018	130,944
Unwind of discount on reinstatement costs	7,387
At 30 June 2019	138,331

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

The Group's non-current trade and other payables also include the provision for retirement benefits for employees of $317,497 (2018: $205,689; 1 July 2017: $279,650).

The following is the expected contractual undiscounted cash outflows of trade and other payables:

	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 2 to 5 years $
Group				
30 June 2019				
Non-derivative financial liabilities				
Trade and other payables*	(6,483,172)	(6,483,172)	(6,411,693)	(71,479)
Derivative financial instruments				
Forward exchange contracts – assets	30,128			
– Gross payments		(3,849,559)	(3,849,559)	–
– Gross receipts		3,879,687	3,879,687	–
		30,128	30,128	–
30 June 2018				
Non-derivative financial liabilities				
Trade and other payables*	(7,092,215)	(7,092,215)	(7,092,215)	–
Derivative financial instruments				
Forward exchange contracts – liabilities	(62,471)			
– Gross payments		(4,238,709)	(4,238,709)	–
– Gross receipts		4,176,238	4,176,238	–
		(62,471)	(62,471)	–

12 TRADE AND OTHER PAYABLES (continued)

	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 2 to 5 years $
Group				
1 July 2017				
Non-derivative financial liabilities				
Trade and other payables*	(7,705,924)	(7,705,924)	(7,705,924)	–
Derivative financial instruments				
Forward exchange contracts – assets	93,611			
– Gross payments		(9,792,614)	(9,792,614)	–
– Gross receipts		9,886,225	9,886,225	–
		93,611	93,611	–

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

	Carrying amount $	Contractual cash flows $	Within 1 year $
Company			
30 June 2019			
Non-derivative financial liabilities			
Trade and other payables	(502,740)	(502,740)	(502,740)
30 June 2018			
Non-derivative financial liabilities			
Trade and other payables	(346,171)	(346,171)	(346,171)
1 July 2017			
Non-derivative financial liabilities			
Trade and other payables	(343,311)	(343,311)	(343,311)

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

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

Provision for retirement benefits

The Group has an unfunded, non-contributory defined benefits retirement plan covering its permanent employees. Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group latest actuarial valuation date is 30 June 2019.

12 TRADE AND OTHER PAYABLES (continued)

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

	Group	
	2019	**2018**
	$	**$**
At 1 July	205,689	279,650
Included in profit or loss		
Current service cost	18,146	25,214
Interest cost	15,089	13,578
	33,235	38,792
Included in other comprehensive income		
Remeasurements arising from:		
Experience adjustment	18,307	(5,057)
Change in financial assumptions	51,517	(45,651)
	69,824	(50,708)
Exchange difference	8,749	(62,045)
At 30 June	317,497	205,689

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

		Group	
	2019	**2018**	**1 July 2017**
	%	**%**	**%**
Discount rate	6.09	7.22	5.08
Salary increase rate	5.00	5.00	5.00

The discount rate assumption is based on the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (2018 and 1 July 2017: PDEx (PDST-R2) benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefits obligation).

The weighted-average duration of the retirement benefits obligation is 16.4 years (2018: 16.4 years; 1 July 2017: 18.5 years).

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

Funding Policy

Benefit claims under the retirement benefits obligation are paid directly by the Group when they become due. The Group is not expected to make contributions in 2019.

12 TRADE AND OTHER PAYABLES (continued)

Sensitivity Analysis

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

	Group					
	2019		2018		1 July 2017	
	1% Increase $	1% Decrease $	1% Increase $	1% Decrease $	1% Increase $	1% Decrease $
Discount rate	(46,947)	57,068	(30,429)	36,883	(46,350)	56,783
Salary increase rate	57,121	(47,801)	35,058	(29,606)	57,333	(46,785)

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

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

Maturity Profile

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

13 LEASE LIABILITIES

	2019 $	2018 $	1 July 2017 $
Maturity analysis – contractual undiscounted cash flows			
Less than one year	945,588	1,016,887	1,086,762
One to five years	1,002,932	1,356,511	2,402,545
Total undiscounted lease liabilities	1,948,520	2,373,398	3,489,307
Lease liabilities included in the statement of financial position			
– Current	847,230	923,845	916,621
– Non-current	967,621	1,289,588	835,582
	1,814,851	2,213,433	1,752,203

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 5.5% (2018: 5.5%).

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

13 LEASE LIABILITIES (continued)

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

	$
Initial recognition at 1 July 2017	1,752,203
Addition of lease liabilities	1,469,552
Payment of lease liabilities	(1,108,513)
Interest expense on lease liabilities	84,035
Translation difference on consolidation	16,156
At 30 June 2018	2,213,433
At 1 July 2018	2,213,433
Addition of lease liabilities	635,385
Payment of lease liabilities	(1,109,070)
De-recognition of lease liabilities	(22,834)
Interest expense on lease liabilities	106,455
Translation difference on consolidation	(8,518)
At 30 June 2019	1,814,851

14 REVENUE

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

15 PROFIT BEFORE TAX

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

	Group	
	2019	2018
	$	$
Other income:		
– Exchange gain (net)	97,094	–
– Interest income	226,646	157,486
– Gain on disposal of property, plant and equipment	–	247,801
– Government grants – Skills Redevelopment and Capability Development Scheme	56,605	99,455
– Others	247,664	272,540
	628,009	777,282
Staff costs:		
– Wages and salaries	19,644,202	19,561,944
– Contribution to defined contribution plans	1,759,007	1,660,167
– (Decrease)/Increase in liability for unconsumed leave	(8,542)	82,510
– Employee benefit expense	33,235	38,792
	21,427,902	21,343,413

15 PROFIT BEFORE TAX (continued)

	Group 2019 $	Group 2018 $
Interest on lease liabilities	106,455	84,035
Expenses relating to short term leases	7,200	11,783
Expenses related to leases of low value assets, excluding short term leases of low value assets	12,754	1,056
Audit fees:		
– auditors of the Company	118,250	121,750
– other member firms of the auditors of the Company	45,927	43,462
– other auditors	61,348	61,988
Non-audit fees:		
– auditors of the Company	23,400	30,200
– other member firms of the auditors of the Company	3,331	3,163
– other auditors	12,338	11,802
Depreciation of property, plant and equipment	6,530,719	5,908,386
Directors' remuneration:		
– directors of the Company	2,835,177	2,887,040
– other directors	267,409	305,938
Exchange loss (net)	–	25,720
Inventories written off	103,582	111,139
Property, plant and equipment written off	6,824	6,189
Loss on disposal of property, plant and equipment	2,329	–

16 TAX EXPENSE

	Group 2019 $	Group 2018 $
Tax charge		
Current year	4,282,148	4,853,975
Overprovision in prior years	(139,250)	(134,778)
	4,142,898	4,719,197
Deferred tax		
Origination and reversal of temporary differences	(15,786)	(34,912)
(Over)/Under provision in prior years	(6,593)	22,548
	(22,379)	(12,364)
Total tax expenses	4,120,519	4,706,833

16 TAX EXPENSE (continued)

	Group 2019 $	2018 $
Reconciliation of effective tax rate		
Profit before tax	17,069,224	21,850,347
Income tax calculated using the statutory tax rate of 17%	2,901,768	3,714,559
Non-deductible expenses	199,271	278,465
Income not subjected to tax	(80,739)	(89,269)
Deferred tax assets not recognised	176,670	–
Effect of tax incentives granted	(8,018)	(161,537)
Effect of tax rate in foreign jurisdictions	436,607	548,605
Recognition of tax effect of previously unrecognised tax losses	–	(136,814)
Withholding tax paid in foreign jurisdictions	658,238	681,145
Over provision in prior years	(145,843)	(112,230)
Others	(17,435)	(16,091)
	4,120,519	4,706,833

During the year, Micro-Mechanics Inc. had a loss before tax of US$762,332 (2018: US$383,489). The tax losses brought forward are subject to agreement with the tax authorities and compliance with tax regulations in the jurisdiction in which the subsidiary operate. Cumulative deferred tax assets with respect to taxable losses of US$9,478,983 (2018: US$8,716,651) have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

17 EARNINGS PER SHARE

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

	Group 2019 $	2018 $
Net profit for the year	12,948,705	17,143,514
Number of shares outstanding during the year	139,031,881	139,031,881

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

18 RELATED PARTIES

Key management personnel compensation

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

	Group	
	2019	**2018**
	$	**$**
Short-term benefits of key management personnel	3,494,933	3,552,582
Defined contribution and defined benefit plans	75,150	92,152

Key management personnel and director transactions

Previously, the Group entered into an agreement with Sarcadia LLC, a shareholder of the Company and a company which is controlled by Christopher Reid Borch, a director of the Company, for the lease of a premise which is used as the office of Micro-Mechanics, Inc. The Group entered into an additional agreement with Sarcadia LLC in 2019 for the provision of electrical services. During the year, the Group made lease payments of $509,849 (2018: $485,478) and electrical services payments of $115,966 (2018: Nil) to Sarcadia LLC. As at 30 June 2019, the amount of lease liability recognised for the lease of building is $923,733 (2018: $1,381,123). The balance is not secured and is payable under normal payment terms.

19 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

Credit risk

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

19 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Financial assets at amortised cost

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

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

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

	Group			Company		
	2019 $	2018 $	1 July 2017 $	2019 $	2018 $	1 July 2017 $
Distributors	282,517	530,004	237,593	–	–	–
Direct customers	9,172,761	10,344,866	10,775,683	–	–	–
Subsidiaries	–	–	–	2,583,063	2,652,090	3,150,588
Others	395,740	488,368	469,435	992	755	2,042
	9,851,018	11,363,238	11,482,711	2,584,055	2,652,845	3,152,630

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

	Group			Company		
	2019 $	2018 $	1 July 2017 $	2019 $	2018 $	1 July 2017 $
Singapore	854,994	1,202,693	1,157,955	992	755	2,042
Malaysia	1,966,969	2,379,247	2,410,370	–	–	–
Philippines	814,295	996,056	901,673	2,583,063	2,652,090	2,168,270
Thailand	188,123	143,615	204,757	–	–	–
USA	1,336,543	1,099,718	1,323,270	–	–	982,318
Europe	302,119	295,065	201,181	–	–	–
China	3,299,037	4,021,653	4,065,751	–	–	–
Japan	170,790	180,416	169,408	–	–	–
Taiwan	808,698	844,458	792,991	–	–	–
Others	109,450	200,317	255,355	–	–	–
	9,851,018	11,363,238	11,482,711	2,584,055	2,652,845	3,152,630

19 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Financial assets at amortised cost (continued)

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

	Group			Company		
	2019	**2018**	**1 July 2017**	**2019**	**2018**	**1 July 2017**
	$	**$**	**$**	**$**	**$**	**$**
Current	7,533,572	7,240,730	8,167,895	2,584,055	2,652,845	1,712,385
Past due 1 – 30 days	1,623,828	2,786,586	2,364,720	–	–	–
Past due 31 – 60 days	332,457	876,430	576,936	–	–	–
More than 60 days	68,108	116,357	34,788	–	–	1,439,745
	9,557,965	11,020,103	11,144,339	2,584,055	2,652,845	3,152,130

Liquidity risk

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

The Group maintains the following line of credit:

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

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

Market risk

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

The Group's exposure to foreign currency risk relates primarily to its US dollar, Japanese yen and Philippines peso denominated financial assets and liabilities. The Group is also exposed to the foreign currencies of the countries in which the subsidiaries operate. The Group endeavours to minimise such exposures as far as possible by matching assets and liabilities of the same currency although there is no formal hedging policy. As at 30 June 2019, the Group had outstanding foreign exchange contracts with notional amounts of approximately $3,879,687 (2018: $4,238,709; 1 July 2017: $9,886,225) to manage exposure to foreign currency fluctuation.

19 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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

	US dollar $	Japanese yen $	Philippines peso $
Group			
30 June 2019			
Trade and other receivables	4,451,567	208,722	–
Cash and cash equivalents	401,820	34,587	–
Trade and other payables	(160,511)	(39,763)	–
	4,692,876	203,546	–
30 June 2018			
Trade and other receivables	2,730,866	180,416	–
Cash and cash equivalents	872,732	379,085	–
Trade and other payables	(359,961)	(37,849)	–
	3,243,637	521,652	–
1 July 2017			
Trade and other receivables	2,195,392	169,408	212,562
Cash and cash equivalents	1,677,503	40,453	235,591
Trade and other payables	(133,470)	(208,107)	(708,484)
	3,739,425	1,754	(260,331)

	US dollar $	Philippines peso $
Company		
30 June 2019		
Trade and other receivables	–	2,583,063
Cash and cash equivalents	1,813	–
	1,813	2,583,063
30 June 2018		
Trade and other receivables	–	2,652,090
Cash and cash equivalents	32,761	–
	32,761	2,652,090
1 July 2017		
Trade and other receivables	982,318	2,168,269
Cash and cash equivalents	9,693	–
Trade and other payables	(17,648)	–
	974,363	2,168,269

19 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Sensitivity analysis

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

	Group	
	2019	**2018**
	$	**$**
US dollar	(469,288)	(324,364)
Japanese yen	(20,355)	(52,165)

	Company	
	2019	**2018**
	$	**$**
US dollar	(181)	(3,276)
Philippines peso	(258,306)	(265,209)

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

Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

19 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Accounting classifications and fair values

Fair value versus carrying amounts

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

	Note	Financial assets at amortised cost $	Designated at fair value $	Other financial liabilities $	Total carrying amount $	Fair value $
Group						
30 June 2019						
Trade and other receivables*	7	9,851,018	–	–	9,851,018	
Forward exchange contracts – assets	7	–	30,132	–	30,132	30,132
Cash and cash equivalents	8	21,881,179	–	–	21,881,179	
		31,732,197	30,132	–	31,762,329	
Trade and other payables**	12	–	–	(6,483,172)	(6,483,172)	
Forward exchange contracts – liability	12	–	(4)	–	(4)	(4)
		–	(4)	(6,483,172)	(6,483,176)	
30 June 2018						
Trade and other receivables*	7	11,363,238	–	–	11,363,238	
Forward exchange contracts – assets	7	–	1,084	–	1,084	1,084
Cash and cash equivalents	8	21,087,382	–	–	21,087,382	
		32,450,620	1,084	–	32,451,704	
Trade and other payables**	12	–	–	(7,092,215)	(7,092,215)	
Forward exchange contracts – liability	12	–	(63,555)	–	(63,555)	(63,555)
		–	(63,555)	(7,092,215)	(7,155,770)	
1 July 2017						
Trade and other receivables*	7	11,482,711	–	–	11,482,711	
Forward exchange contracts – assets	7	–	94,785	–	94,785	94,785
Cash and cash equivalents	8	23,422,290	–	–	23,422,290	
		34,905,001	94,785	–	34,999,786	
Trade and other payables**	12	–	–	(7,705,924)	(7,705,924)	
Forward exchange contracts – liability	12	–	(1,174)	–	(1,174)	(1,174)
		–	(1,174)	(7,705,924)	(7,707,098)	

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

	Note	Financial assets at amortised cost $	Designated at fair value $	Other financial liabilities $	Total carrying amount $	Fair value $
Company						
30 June 2019						
Trade and other receivables*	7	2,584,055	–	–	2,584,055	
Cash and cash equivalents	8	8,743,944	–	–	8,743,944	
		11,327,999	–	–	11,327,999	
Trade and other payables**	12	–	–	(502,740)	(502,740)	
		–	–	(502,740)	(502,740)	
30 June 2018						
Trade and other receivables*	7	2,652,845	–	–	2,652,845	
Cash and cash equivalents	8	2,017,182	–	–	2,017,182	
		4,670,027	–	–	4,670,027	
Trade and other payables**	12	–	–	(346,171)	(346,171)	
		–	–	(346,171)	(346,171)	
1 July 2017						
Trade and other receivables*	7	3,152,630	–	–	3,152,630	
Forward exchange contracts – assets	7	–	1,000	–	1,000	1,000
Cash and cash equivalents	8	11,554,207	–	–	11,554,207	
		14,706,837	1,000	–	14,707,837	
Trade and other payables**	12	–	–	(343,311)	(343,311)	
		–	–	(343,311)	(343,311)	

* 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.

19 **FINANCIAL RISK MANAGEMENT** (continued)
Market risk (continued)
Accounting classifications and fair values (continued)
Interest rates used for determining fair value
The interest rates used to discount estimated cash flows, when applicable, are based on the LIBOR plus 100 basis points:

		Company	
	2019	**2018**	**1 July 2017**
Trade and other receivables	–	–	4.25%

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).

	Level 2	**Total**
	$	**$**
Group		
30 June 2019		
Forward exchange contracts – asset	30,132	30,132
Forward exchange contracts – liability	(4)	(4)
30 June 2018		
Forward exchange contracts – asset	1,084	1,084
Forward exchange contracts – liability	(63,555)	(63,555)
1 July 2017		
Trade and other receivables – non-current	982,318	982,318
Forward exchange contracts – asset	94,785	94,785
Forward exchange contracts – liability	(1,174)	(1,174)
Company		
1 July 2017		
Trade and other receivables – non-current	982,318	982,318
Forward exchange contracts – asset	1,000	1,000

19 FINANCIAL RISK MANAGEMENT (continued)
Market risk (continued)
Accounting classifications and fair values (continued)
Fair value hierarchy (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Forward exchange contracts	*Market comparison technique:* The fair values are based on financial institutions quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Trade and other receivables	*Discounted cash flows:* The fair values are based on discounted estimated cash flows using LIBOR plus 100 basis points interest rates.	Not applicable	Not applicable

20 SEGMENT REPORTING

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

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

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

Inter-segment pricing is determined on mutually agreed terms.

20 SEGMENT REPORTING (continued)

Operating Segments

	Singapore $	Malaysia $	The Philippines $	USA $	China $	Elimination $	Consolidated $
2019							
Total revenue from external customers	14,397,292	11,792,273	6,368,866	11,303,664	16,468,851	–	60,330,946
Inter-segment revenue	6,304,772	1,049,005	586,015	262	–	(7,940,054)	–
Total revenue	20,702,064	12,841,278	6,954,881	11,303,926	16,468,851	(7,940,054)	60,330,946
Segment results	4,488,533	5,447,959	3,172,631	(1,039,236)	5,397,562	292,467	17,759,916
Unallocated expenses							(690,692)
Profit from operations							17,069,224
Tax expense							(4,120,519)
Net profit for the year							12,948,705
Segment assets	19,327,114	13,532,830	4,300,017	14,848,922	11,713,017	(2,600,542)	61,121,358
Unallocated assets:							
Others							8,757,771
Total assets							69,879,129
Segment liabilities	3,866,043	725,752	3,968,383	2,644,750	1,773,833	(4,586,529)	8,392,232
Unallocated liabilities:							
Tax							2,624,167
Others							502,743
Total liabilities							11,519,142
Other segment information							
Capital expenditure	1,241,939	710,876	407,835	644,355	413,140	–	3,418,145
Depreciation	1,943,152	837,341	568,561	2,246,595	935,070	–	6,530,719
Non-current assets	10,766,637	5,457,836	2,177,677	10,746,149	4,051,760	(97,075)	33,102,984

Major customers

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

	Singapore $	Malaysia $	The Philippines $	USA $	China $	Total $
2019						
Revenue	–	3,150,546	5,068,056	10,057,404	2,778,927	21,054,933
Number of customers	–	2	4	4	1	11

20 SEGMENT REPORTING (continued)

Operating Segments (continued)

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	$	$	$	$	$	$	$
2018							
Total revenue from external customers	15,918,357	12,883,706	6,631,743	12,308,965	17,359,087	–	65,101,858
Inter-segment revenue	6,341,863	1,296,257	556,401	288	–	(8,194,809)	–
Total revenue	22,260,220	14,179,963	7,188,144	12,309,253	17,359,087	(8,194,809)	65,101,858
Segment results	6,557,974	6,376,285	3,371,300	514,297	6,162,718	(387,915)	22,594,659
Unallocated expenses							(744,312)
Profit from operations							21,850,347
Tax expense							(4,706,833)
Net profit for the year							17,143,514
Segment assets	26,010,560	14,543,356	4,477,450	16,846,424	12,725,963	(3,365,753)	71,238,000
Unallocated assets:							
Others							2,052,725
Total assets							73,290,725
Segment liabilities	4,058,412	789,376	4,051,080	3,512,698	2,256,815	(4,782,174)	9,886,207
Unallocated liabilities:							
Tax							3,099,931
Others							46
Total liabilities							12,986,184
Other segment information							
Capital expenditure	2,154,776	1,512,372	692,312	5,313,331	2,447,922	–	12,120,713
Depreciation	1,885,315	756,298	529,305	1,858,377	879,091	–	5,908,386
Non-current assets	10,731,844	5,846,060	2,265,491	12,224,198	4,754,534	(95,576)	35,726,551

Major customers

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	$	$	$	$	$	$
2018						
Revenue	–	1,687,926	4,874,117	9,725,820	2,742,300	19,030,163
Number of customers	–	1	4	3	1	9

21 COMMITMENTS

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

	Group	
	2019	**2018**
	$	**$**
Capital commitments:		
– contracted but not provided for	2,914,005	653,355
– authorised but not contracted for	–	109,109
	2,914,005	762,464

22 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 30 June 2019, the comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of the opening SFRS(I) balance sheet as at 1 July 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) balance sheet, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I), interpretations of SFRS(I) and requirements of SFRS(I) which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;

- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;

- SFRS(I) 16 *Leases*;

- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;

- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;

- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;

22 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (continued)

- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and

- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations does not have material effect on the financial statements, except for SFRS(I) 16.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 have affected the Group's financial position, financial performance and cash flows is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliation summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 on the Group's financial position as at 1 July 2017. There were no material adjustments to the Group's financial position as at 30 June 2018, the Group's statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2018, the Company's financial position as at 1 July 2017 and 30 June 2018 and the Company's statement of comprehensive income and statement of changes in equity for the year ended 30 June 2018 arising on the transition to SFRS(I).

Statement of financial position
1 July 2017

		Group	
	As previously reported	**SFRS(I) 16 Adjustments**	**As currently reported**
	$	**$**	**$**
Assets			
Property, plant and equipment	26,157,348	–	26,157,348
Right-of-use assets	–	1,876,724	1,876,724
Trade and other receivables	439,394	–	439,394
Non-current assets	26,596,742	1,876,724	28,473,466
Inventories	3,669,372	–	3,669,372
Trade and other receivables	11,906,718	–	11,906,718
Cash and cash equivalents	23,422,290	–	23,422,290
Current assets	38,998,380	–	38,998,380
Total assets	65,595,122	1,876,724	67,471,846
Shareholders' equity			
Share capital	14,782,931	–	14,782,931
Reserves	39,988,372	–	39,988,372
Total equity	54,771,303	–	54,771,303

22 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (continued)

Statement of financial position
1 July 2017 (continued)

	Group		
	As previously reported $	**SFRS(I) 16 Adjustments $**	**As currently reported $**
Liabilities			
Deferred tax liabilities	1,406,658	–	1,406,658
Trade and other payables	279,650	124,521	404,171
Lease liabilities	–	835,582	835,582
Non-current liabilities	1,686,308	960,103	2,646,411
Trade and other payables	7,810,579	–	7,810,579
Lease liabilities	–	916,621	916,621
Current tax payable	1,326,932	–	1,326,932
Current liabilities	9,137,511	916,621	10,054,132
Total liabilities	10,823,819	1,876,724	12,700,543
Total equity and liabilities	65,595,122	1,876,724	67,471,846

The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Foreign Currency Translation Reserve ("FCTR") for all foreign operations to zero at the date of transition, and reclassified the cumulative FCTR of $5,436,297 as at 1 July 2017 as determined in accordance with the previous Financial Reporting Standards (FRS) at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

In addition, the Group early adopted SFRS(I) 15 *Revenue from Contracts with Customers*, SFRS(I) 9 *Financial Instruments* and SFRS(I) 16 *Leases* with a date of initial application of 1 July 2017. As a result, the Group has changed its accounting policies as detailed below.

SFRS(I) 15 *Revenue from Contracts with Customers*
The Group applied SFRS(I) 15 retrospectively. Following the adoption of SFRS(I) 15, the Group identified additional performance obligations in the sale of precision tools contract under Cost, Insurance and Freight (CIF) and Cost and Freight (CFR) term. Transaction prices are allocated to these additional performance obligations of freight and insurance services, and revenue are recognised when these performance obligations are satisfied. Management determines the impact to the comparative financial information to be insignificant. Accordingly, no restatement on the comparative information is made.

22 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (continued)

SFRS(I) 9 *Financial Instruments*

The Group applied SFRS(I) 9 retrospectively. SFRS(I) 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) and replaces the existing FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Classification under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics. Under FRS 39, the Group classified its non-derivative financial assets under loans and receivables. Under SFRS(I) 9, this is classified under financial assets measured at amortised cost. Derivative financial instruments continue to be classified as fair value through profit or loss under SFRS(I) 9. SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification of financial liabilities and accordingly there is no impact to the classification of the financial liabilities.

SFRS(I) 9 contains impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. Based on the lifetime expected credit loss model applied by the Group, there were no loss allowances recognised on the date of initial application. SFRS(I) 9 also contains new requirements on hedge accounting which are aligned more closely with risk management and establishes a more principle-based approach to hedge accounting. The Group does not apply any hedge accounting currently.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach. At the date of initial application, the Group recognised right-of-use (ROU) assets and lease liabilities for all leases qualified under SFRS(I) 16, except for the leases which the Group applies practical expedients. Subsequent to initial recognition, the Group depreciated ROU assets over the shorter of the useful life of the ROU assets or the lease term. The Group also recognised interest expense on the lease liabilities.

The Group applied the practical expedient in paragraph C3(b) of SFRS(I) 16 and applied SFRS(I) 16 to contracts that were previously identified as leases applying FRS 17 *Leases* and INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Group applied practical expedient in paragraph C9(a) and C10(c) of SFRS(I) 16, that resulted in not applying the requirements in paragraphs 22 to 49 of SFRS(I) 16 to short-term leases and leases for which the underlying asset is of low value. Accordingly, the Group recognised the lease payments associated with these leases as an expense on a straight-line basis.

23 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 July 2018 and earlier applications is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

23 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

The following new SFRS(I), interpretations and amendments to SFRS(I) are effective for annual periods beginning after 1 July 2018:

Applicable to year ending 30 June 2020 financial statements

- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I)1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I)1-19)

Applicable to year ending 30 June 2022 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

These new standards, amendments to standards, interpretations are not expected to have a significant effect on the financial statements of the Group. The Group does not plan to adopt these standards early.

SHAREHOLDERS' STATISTICS

As at 30 August 2019

SHARE CAPITAL

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

Based on the information available to the Company as at 30 August 2019, the percentage of shareholding held in the hands of the public is approximately 39.60% which is more than 10% of the issued ordinary shares of the Company. Therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with. The Company did not have any treasury shares or subsidiary holdings (as defined in the Listing Manual) as at 30 August 2019.

SUBSTANTIAL SHAREHOLDERS AS AT 30 AUGUST 2019

	Name	Shareholdings beneficially held by the substantial shareholder		Other shareholdings in which the substantial shareholder is deemed to have an interest	
		No. of Shares	%	No. of Shares	%
1	Christopher Reid Borch	34,474,913*	24.80%	37,860,256**	27.23%
2	Sarcadia LLC	37,760,256	27.16%	–	–
3	Low Ming Wah***	7,126,001	5.13%	1,000	0.00%
4	Frederic Louis Borch ****	859,500	0.62%	37,760,256	27.16%
5	Andrea W. Borch****	–	–	37,760,256	27.16%
6	Kyle Christopher Borch****	25,000	0.02%	37,760,256	27.16%
7	Tyler Campbell Borch****	25,000	0.02%	37,760,256	27.16%
8	Cameron Louis Borch****	25,000	0.02%	37,760,256	27.16%
9	Allison Ruth Borch****	25,000	0.02%	37,760,256	27.16%

*	*Include 5,000,000 shares held in the name of Christopher R. Borch's nominee, Phillip Securities Pte Ltd.*
**	*Deemed to be interested in 37,760,256 shares held by Sarcadia LLC and 100,000 shares held by his children.*
***	*Deemed to be interested in 1,000 shares held by spouse.*
****	*Deemed to be interested in 37,760,256 shares held by Sarcadia LLC.*

SHAREHOLDERS' STATISTICS

As at 30 August 2019

ANALYSIS OF SHAREHOLDERS BY RANGE AS AT 30 AUGUST 2019

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued share capital
1 – 99	16	1.22	500	0.00
100 – 1,000	272	20.81	204,300	0.15
1,001 – 10,000	652	49.89	2,956,64	2.12
10,001 – 1,000,000	352	26.93	26,049,789	18.74
1,000,001 and above	15	1.15	109,820,646	78.99
Total	**1,307**	**100.00**	**139,031,881**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2019

	Name	No. of Shares	% of Issued share capital
1	Sarcardia LLC	37,760,256	27.16
2	Christopher Reid Borch	29,474,913	21.20
3	Phillip Securities Pte Ltd	8,376,400	6.03
4	Low Ming Wah	7,126,001	5.13
5	Citibank Nominees Singapore Pte Ltd	5,133,617	3.69
6	Raffles Nominees (Pte) Limited	3,641,289	2.62
7	DBS Nominees Pte Ltd	3,334,672	2.40
8	Lam Yen Yong	3,256,000	2.34
9	Chow Kam Wing	2,811,000	2.02
10	Tan Eng Yam @ Tan Eng Ann	2,146,800	1.54
11	OCBC Securities Private Ltd	1,711,598	1.23
12	Tan Eng Yam Holdings Pte Ltd	1,571,000	1.13
13	Tan Boon Khak Holdings Pte Ltd	1,471,100	1.06
14	Lim Yong Wah	1,004,500	0.72
15	Karl Zurfluh	1,001,500	0.72
16	Yeap Lam Yang	1,000,000	0.72
17	Frederic Louis Borch	859,500	0.62
18	Chen Wei Ching	820,000	0.59
19	Ang Lian Huat	810,000	0.58
20	Chew Kwai Yoke	805,000	0.58
Total		**114,115,146**	**82.08**

NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of the Company will be held at NTUC Centre, Level 7, Room 701, No. 1 Marina Boulevard, Singapore 018989 on Wednesday, 30 October 2019 at 2.00 p.m. to transact the following business: –

Ordinary Business

1 To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2019 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a final dividend of five cents per ordinary share tax exempt (one-tier) and a special dividend of one cent per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2019. **[Resolution 2]**

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

4 To re-elect Mr Kwan Yew Kwong Kenny, who retires pursuant to Regulation 103 of the Company's Constitution, as Director of the Company. **[Resolution 4]**

5 To approve the payment of Directors' Fees of S$437,538 for the financial year ended 30 June 2019 (2018: S$290,000). **[Resolution 5]**

6 To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**

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

Special Business

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

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

That pursuant to Section 161 of the Companies Act, Chapter 50 (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;

(b) new Shares arising from the exercise of share options or vesting of share awards 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

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

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

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. **[Resolution 7]**

By Order of the Board

Chow Kam Wing
Company Secretary
27 September 2019
Singapore

NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING

Explanatory Notes:

(1) In relation to the retirement of Directors by rotation at the 23rd Annual General Meeting, Mr Girija Prasad Pande is also due to retire by rotation and he has given notice to the Company that he does not wish to seek re-election as Director at the Annual General Meeting.

(2) For ordinary resolutions 3 and 4, detailed information on the two Directors can be found under "Board of Directors", "Corporate Information" and "Corporate Governance" in the Company's Annual Report FY2019. Save as disclosed in those sections, there are no relationships including immediate family relationships between each of the said Directors and the other Directors, the Company or its 10% shareholders.

Mr Kwan Yew Kwong Kenny, if re-elected as Director of the Company, will remain as a member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee and will be considered as an independent director. Mr Kenny Kwan will also fill the position vacated by Mr Girija Prasad Pande, as Chairman of the Remuneration Committee.

(3) The ordinary resolution 7, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to an aggregate number not exceeding 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings, if any, in the capital of the Company, with a sub-limit of 10% for issues other than on a pro-rata basis.

Notes:

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

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

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

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

3 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 31 Kaki Bukit Place, Eunos Techpark, Singapore 416209 not less than 72 hours before the time appointed for holding the Annual General Meeting.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE AND DIVIDENDS PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Micro-Mechanics (Holdings) Ltd. (the "Company") will be closed on 8 November 2019 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 7 November 2019 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 7 November 2019 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Twenty-Third Annual General Meeting to be held on 30 October 2019, will be paid on 19 November 2019.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
Date of last appointment	25 June 1996	14 June 2019
Date of last re-appointment (if any)	28 October 2016	Not applicable
Age	58	49
Country of principal residence	Singapore	Singapore
The Board's comments on this re-election/ appointment	After reviewing the recommendation of the Nominating Committee and Mr. Low's performance and contribution and experience (as set out below), the Board has approved that Mr. Low stands for re-election as Executive Director.	After reviewing the recommendation of the Nominating Committee and Mr. Kwan's qualifications and experience (as set out below), the Board has confirmed Mr. Kwan's independence and approved that Mr. Kwan stands for re-election as a Non-Executive Independent Director.
Whether appointment is executive, and if so, the area of responsibility	Executive Group COO	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member, etc)	Executive Director Group COO Member of Risk Management Committee	Non-Executive Independent Director Member of Remuneration Committee, Member of Audit Committee, Member of Nominating Committee, Member of Risk Management Committee
Professional qualification	Diploma in Mechanical Engineering from Singapore Polytechnic; MBA from University of Hull	Bachelor of Law from National University Singapore; Advocate and Solicitor of the Supreme Court of Singapore; Solicitor of the Law Society of England & Wales; Attorney and Counsel of the State of New York

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
Working experience and occupation(s) during the past 10 years	Executive Director/Group COO, Micro-Mechanics (Holdings) Ltd	1. Partner, Allen & Overy LLP (June 2009 to September 2017) 2. Director, Drew & Napier LLC (February 2018 to February 2019) 3. Partner, Baker McKenzie Wong & Leow (March 2019 to present)
Shareholding interest in the listed issuer and its subsidiaries	Yes 7,126,001 ordinary shares in Micro-Mechanics (Holdings) Ltd (Direct interest)	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interests (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code.		
Past (for the last 5 years)	1. Singapore Precision Engineering & Technology Association (Chairman) 2. Enterprise Singapore (Board member)	Nil
Present	1. Singapore Precision Engineering & Technology Association (Chairman) 2. Enterprise Singapore (Board member)	1. Keppel DC Reit Management Pte. Ltd. (Independent director – appointed on 28 February 2019)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	**Low Ming Wah**	**Kenny Kwan Yew Kwong**
Information required Disclose the following matters concerning an appointment of director.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

Name of Director	Low Ming Wah	Kenny Kwan Yew Kwong
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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MICRO-MECHANICS (HOLDINGS) LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 199604632W)

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Micro-Mechanics (Holdings) Ltd., this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of Annual General Meeting dated 27 September 2019.

PROXY FORM

I/We ______________________________ NRIC/Passport/Co. Registration No. ______________

of ____

being a member/members of **MICRO-MECHANICS (HOLDINGS) LTD.** hereby appoint

Name	Address	NRIC/Passport No.	Number of Shares Represented

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Number of Shares Represented

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at NTUC Centre, Level 7, Room 701, No. 1 Marina Boulevard, Singapore 018989 on **Wednesday, 30 October 2019 at 2.00 p.m.** and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	No. of Votes For*	No. of Votes Against*
	ORDINARY BUSINESS		
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2019		
2	Payment of final and special dividends		
3	Re-election of Mr Low Ming Wah as director		
4	Re-election of Mr Kwan Yew Kwong Kenny as director		
5	Approval of directors' fees		
6	Re-appointment of KPMG LLP as auditors		
	SPECIAL BUSINESS		
7	Authority to allot and issue new shares		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please indicate with an "X" in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant Resolution, please insert the relevant number of Shares in the boxes provided.

Dated this ________ day of ____________________ 2019

Total Number of Shares held	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of shares held by him. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.

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

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

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

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

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 31 Kaki Bukit Place, Eunos Techpark, Singapore 416209 not less than 72 hours before the time appointed for holding the AGM.

5. The instrument appointing a proxy shall be signed by the appointor or his attorney. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid. In the case of a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

6. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting.

7. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy if the member, being the appointor, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the AGM, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE DIRECTORY

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