

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

Minutes of the Twentieth Annual General Meeting of the Company held at Central Public Library, Level 5, Possibility Room, 100 Victoria Street, Singapore 188064 on Friday, 28 October 2016 at 2.00 p.m.

DIRECTORS PRESENT

- Ms Sumitri Mirnalini Menon @ Rabia – Independent Non-Executive Chairman
- Mr Christopher Reid Borch – Executive Director and Chief Executive Officer (“CEO”)
- Mr Low Ming Wah – Executive Director and Chief Operating Officer (“COO”)
- Mr Chow Kam Wing – Executive Director and Chief Financial Officer (“CFO”)
- Mr Girija Prasad Pande – Independent Director
- Ms Lai Chin Yee – Independent Director

OPENING & PRESENTATION

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

After the directors gave a brief introduction of themselves to the shareholders, the Chairman invited Mr Christopher Reid Borch, the CEO to present his report on the full year results of the Group.

The CEO expressed his pleasure to meet the shareholders at every AGM. The CEO, together with the COO and the CFO, presented slides on the financial performance of the Group for FY2016 entitled “Key Outcomes, Strategies and Results”. It was noted that these presentation slides would be made available together with the announcement made by the Company after the AGM. The CEO also informed the shareholders that the Company had announced the Group’s financial results for the first quarter ended 30 September 2016 (“1Q17”) via SGX website earlier that day.

The CEO, together with the COO, gave a brief overview of the key customer requirements and operating strategies adopted by the Group. The CEO stressed how vital it is for the Group to develop a deep understanding of its customers and the market place in order to position itself as a superb supplier. There must also be a clear understanding of the goals and values within the Group for sound decision making and success.

The COO shared his views on the emerging trends in the semiconductor industry and how the Group should prepare and gear itself to meet market and customers’ expectations in terms of miniaturization, reliability, precision, flawless quality and scalability in the semiconductor tooling business. In this respect, the Group has identified 5 key areas, namely design, reliability, precision, delivery and cost. The CEO and COO also briefly went through the 5 main strategies adopted by the Group, namely *24/7 Machining*, design and development, logistics, 7S (sort, set, shine, standardise, substance, safety and sustainability) and “Micro-Mechanics University” which aims to provide training to the staff so that they can make effective decisions and take actions that are in line and consistent with the Group’s vision, mission, goals, strategies and values. In its supply of parts and tools for process-critical applications in the semiconductor and other high-tech industries, the Group would continue with its mission to provide “Perfect Parts and Tools, On Time, Every Time” based on scalable, repeatable and cost-effective processes.

On transparency and governance, the CFO was pleased to report that since Micro-Mechanics’ official listing on SGX in 2003, the Company has received a total of 21 awards in recognition of its high standards of corporate governance, quality of disclosure, transparency and investor relations. In 2016, the Company received 3 awards, namely Silver Award for Best Managed Board (small cap category) at the Singapore Corporate Awards 2016 (the third time that board practices were commended by SCA), winner for Singapore Corporate Governance Award (mid and small cap category) and runner up for Most Transparent Company (Information Technology) Award from the Securities Investors Association Singapore.

Under the newly launched Singapore Governance and Transparency Index (SGTI) 2016, the Company achieved a score of 85 points to rank 27th out of 631 companies listed on SGX. This is commendable as the top 30 companies in the SGTI that scored 84 points or more comprised mainly companies in the large capitalisation category.

On dividend performance, the CFO reported that in line with the Company's dividend policy, the board is recommending a final dividend of 3 cents per share and a special dividend of 1 cent per share for shareholder's approval at this AGM which will be payable on 18 November 2016. Together with the interim dividend of 2 cents per share paid in February 2016, the total dividend for FY2016 would be 6 cents per share. This would bring the total amount of dividends to 45.9 cents per share since listing in 2003 and translate into a return of more than 240% for those shareholders who bought the shares at IPO.

The CFO reported that the depreciation of the Chinese Renminbi and Malaysian Ringgit affected the Group's sales in FY2016. Revenue in FY2016 dropped 1.8% to S\$51.3 million compared to S\$52.2 million in FY2015. He added that in spite of lower revenue and a 13% increase in taxes, the Group's net profits held steady at S\$11.9 million, close to the net profits of S\$12.0 million recorded in FY2015. Due to a tight rein on the overhead expenses and as a by-product of the Group's initiatives, there was a gradual decline in manpower from a headcount of 601 in FY2012 to 431 in FY2016. The financial position of the Group for FY2016 remained strong. As at 30 September 2016 (1Q17), the Group had about S\$23 million in cash with no bad debts and no borrowings.

On the Group's performance in 1Q17, the CFO said the Group's gross profit margin on a quarter to quarter basis was the same as that of 1Q16. He further informed that a sum of S\$1 million was spent on CAPEX in 1Q17 although the total budget set aside for CAPEX for FY2017 was S\$6 million to S\$8 million. He explained that although the Group is cash rich, it would still have to be cautious in its CAPEX spending by working closely with the machinery manufacturers and making sure that such expenditure was aligned with the Group's initiatives and processes.

Before taking questions from the shareholders, the CEO expressed his deepest appreciation to the employees of the Group for their dedication and hard work for achieving these results. He assured that the board would continue to work hard towards the Group's mission and strategies to achieve long term sustainability and profitable success.

Q&A on the presentation slides:-

Question: A shareholder congratulated the Company for the good financial results and wanted to know whether there would be any major CAPEX spending by the Company in the next 3 years.

Reply: The CFO replied that as highlighted in his presentation slides, a sum of S\$6 million to S\$8 million was budgeted for CAPEX for FY2017. No budgeted figure is available for CAPEX spending for the subsequent years.

Question: Another shareholder congratulated the Company for the good financial results and commended the management team for the presentation at the AGM. He noted from the annual report that the Custom Machining & Assembly (CMA) division in USA was reconfigured to standardise it with other plants. His questions were: why the CMA division did not work out after several years, what was the cost to retrofit it and when would the USA plant expect to be as profitable as the other plants?

Reply: The CEO replied that having a separate CMA division to serve multiple industries such as aerospace, semiconductor, laser and other high-technology industries was challenging. He explained that it had been difficult as a lot of resources and efforts were needed to serve the different industries. After evaluation, it was decided late last year to align the CMA division with the Group's core business and focus exclusively on producing parts and tools for the semiconductor industry. There would be no change in the machines and systems in place at the USA plant which will continue to be utilised. Any additional requirements were reflected in Capex budgeted. He thanked the shareholders for their patience with respect to the CMA business.

Q&A on the presentation slides:-

Question: A third shareholder complimented the Company for the good financial performance and high standards of corporate governance. He remarked that the Group was optimistic last year with expectation that the CMA division in USA would help the Group grow beyond the semiconductor business. However, now that the Group has decided that the USA plant would fully focus on the semiconductor business and with reference in the annual report stating that there would be contraction in the semiconductor industry in 2016 with growth only resuming in 2017, he wanted to know where the potential growth would come from?

Reply: The CEO replied that the semiconductor industry was a very large industry with a total global revenue exceeding US\$300 billion per year. He added that with the Group's familiarity and proven track record for making parts and tools in the semiconductor tooling business and with the current USA plant also making parts and tools there was potential growth for the Group at the front-end, ie wafer-fabrication equipment space, within this industry.

Question: The same shareholder referred to the geographical segment reporting on page 73 of the annual report and noted that USA segment had major customers which contributed S\$5.6 million out of a total of S\$8 million in revenue. He wanted to know whether these major customers are semiconductor or non-semiconductor related customers. Would the Group's revenue be affected should the non-semiconductor customers shift away?

Reply: The CEO explained that the major customers in the USA are a combination of both semiconductor and non-semiconductor related customers. He informed that the Group would continue to service those existing non-semiconductor customers. However, the main focus currently would be to concentrate on the expansion plans and growth of the semiconductor tooling business in the USA.

Question: A fourth shareholder congratulated the board and management for the good financial performance. He wanted to find out whether the Group's CMA division would be assembling parts for production lines or machines, or building the entire machine or part of a machine.

Reply: The CEO replied that the Group's main focus would still be on parts and tools and not machines. He added that the parts are used by semiconductor wafer-fabrication equipment builders.

Question: The same shareholder observed that the headcount of the Group had reduced from 600 to 430 and questioned whether this was essentially just people becoming redundant, laid off or was it due to attrition. He also queried whether the skills of the CMA employees are portable from manufacturing parts for aviation, laser or medical to parts for the semiconductor tooling business since the Group is gearing towards the semiconductor business.

Reply: The CEO replied that the core competency in the CMA business is in precision machining and precision manufacturing. He is of the view that people with such skills would be employable and useful in any business or industry. The reduction in headcount over the years was a consequence of natural attrition and efficiencies gained from the Group's adopted initiatives in *24/7 Machining*.

Before proceeding to the formal business of the AGM, the Chairman noted that as required under the Listing Rules, all resolutions put to the vote at this AGM would be voted on by way of a poll, similar to the voting procedures adopted at last year's AGM. She explained the polling procedures and also announced that TS Tay Public Accounting Corporation had been appointed the scrutineers for the purposes of the polling.

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

ORDINARY BUSINESS

1. Adoption of Directors' Statement and Audited Financial Statements

- 1.1 The following Ordinary Resolution No. 1 was duly proposed by Mr Herman Phua Cheng Swee and seconded by Mr Manohar P Sabnani:-

"It was resolved that the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2016 and the Auditors' Report thereon be received and adopted."

- 1.2 Q&A on Ordinary Resolution 1:

Question: A shareholder proposed that future AGMs of the Company be held in early October instead of the last week of October so that it would not clash with the AGMs of other listed companies which were also scheduled during this period of the month.

Reply: The CFO explained that as per past years' practice since its official listing on the SGX, the Company has selected the last week of October to hold its AGM so that it could also report and share its 1Q financial results with the shareholders at the AGM. The Chairman noted the suggestion of the shareholder.

Question: A shareholder referred to one of the presentation slides which showed the semiconductor industry on a downward trend with a negative 4.5% decline and almost flat growth in the past 2 months. He wanted to know the current trends in the semiconductor market, the new drivers for the short term, and management's view on the current situation.

Reply: The COO clarified that the presentation slide which the shareholder referred to was a global data chart for global chip sales gathered and prepared by the Semiconductor Industry Association and it was not a reflection of the Group's trend in revenue. On the question on whether there are any new drivers, he noted that except in the sector of consumer electronics products such as mobile devices, there were no new developments lately in the market. He explained that the Group's products were in the form of indirect materials and the global trend would not have a material impact on the Group's performance. He agreed that the current trend in the semiconductor industry was flat. On the Group's performance in the semiconductor tooling business, it was in line with the Group's chart on cyclical data with better performances in the first and last quarters of every financial year. He hoped that the semiconductor tooling business will continue to perform well in the coming next quarter.

1.2 Q&A on Ordinary Resolution 1:

Question: The same shareholder queried on the Group's target for its CMA business after repositioning to the semiconductor tooling business?

Reply: The CEO replied that there is potential growth in the semiconductor industry as shown by the Group's yearly performance in the semiconductor tooling business division. With the CMA division aligning its focus with the Group's core business of manufacturing process critical parts and tools primarily for the semiconductor industry, he envisioned that the Group's semiconductor tooling business division would continue to perform well. There was no change in the Group's strategy and it would strive to develop its market share and continue to grow the top line.

Question: A shareholder suggested that for future shareholders' meetings, the Company may wish to consider adopting an electronic voting system which was fast and accurate.

Reply: The Chairman noted and thanked the shareholder for his suggestion.

Question: A shareholder referred to the CEO's earlier comments on manufacturing parts for front-end production and he wanted to know whether the Group expected any volatility in terms of revenue in the semiconductor tooling business in the future

Reply: The CEO agreed that the semiconductor industry had a history of being quite volatile but the Group has a unique place in the market as its tools are primarily consumables which have less sales volatility. These same characteristics would carry over to some of the parts and tools that the CMA division will make for machines. That was part of the reason for its CMA division's strategy to focus on the semiconductor business.

Question: One shareholder referred to the shareholders' statistics on page 77 of the annual report. He wanted to know why there were no large institutional fund investors in the Company and what was the Group's plan to reach out to this kind of investors.

Reply: The CEO replied that the current market capitalization of the Company was around S\$120 million which was considered small compared to large listed companies. Even if the Company could grow its market cap, it would probably attract small institutional investors and boutique fund managers. He noted that the market determined the Company's liquidity and share price.

1.2 Q&A on Ordinary Resolution 1:

Question: The same shareholder wanted to understand the risk management processes and framework adopted by the Company.

Reply: The CFO replied that the Company has a Risk Management Committee chaired by Ms Lai Chin Yee who is also the current Chairman of the Audit Committee. He informed that the Group has in place internal controls necessary to identify and manage significant business risk, for instance in the area of IT governance, and also uses certified risk assessment models for checks and references. In addition, an Enterprise Risk Management Committee comprising key management personnel was also formed and they were tasked with the development and implementation of an enterprise risk management system for the Group. Ms Lai added that all procedures and training were set up across the Group's subsidiaries. During the implementation process, the Risk Management Committee had identified the respective risk teams and profiled them accordingly in terms of tolerance and acceptability level. The Risk Management Committee also reviewed the Group's risk profile at every meeting and keeps the Group's risk profile updated regularly.

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

2. Declaration of Final and Special Dividends

2.1 The following Ordinary Resolution No. 2 was duly proposed by Mr Alain Neo Say Chow and seconded by Ms Ong Lay Chin:-

"It was resolved that a final dividend of 3.0 cents per ordinary share tax exempt (one-tier) and a special dividend of 1.0 cent per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2016 be paid on 18 November 2016 to members registered in the books of the Company on 8 November 2016."

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

3. Re-election of Director – Mr Low Ming Wah

3.1 The following Ordinary Resolution No. 3 was proposed by Ms Ingrid Tan Hui Ing and seconded by Mr Chan Shuo Yan:-

"It was resolved that Mr Low Ming Wah retiring by rotation pursuant to Article 91 of the Company's Constitution, but being eligible and offering himself for re-election, be re-elected as director of the Company."

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

4. Re-election of Director – Mr Girija Prasad Pande

- 4.1 The following Ordinary Resolution No. 4 was proposed by Mr Tok Hong Soon and seconded by Ms Wendy Tan Wei Lee:-

“It was resolved that Mr Girija Prasad Pande retiring by rotation pursuant to Article 91 of the Company’s Constitution, but being eligible and offering himself for re-election, be re-elected as director of the Company.”

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

5. Approval of Directors' Fees

- 5.1 The following Ordinary Resolution No. 5 was proposed by Mr Karl Zurfluh and seconded by Mr Ezri Sin Khai Yih:-

“It was resolved that a sum of S\$290,000/- be approved for payment as directors’ fees for the financial year ended 30 June 2016.”

- 5.2 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 5 by completing the poll voting slips.

6. Re-appointment of Auditors

- 6.1 The following Ordinary Resolution No. 6 was proposed by Mr Alain Neo Say Chow and seconded by Ms Ong Lay Chin:-

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

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

SPECIAL BUSINESS

7. Authority to allot and issue shares in the capital of the Company

- 7.1 The following Ordinary Resolution No. 7 was duly proposed by Mr Yeo Seng Chong and seconded by Mr Tok Hong Soon:-

“It was resolved 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, 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, 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, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, 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."

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

8. Authority to allot and issue shares under Micro-Mechanics Performance Share Plan

8.1 The following Ordinary Resolution No. 8 was proposed by Ms Ong Lay Chin and seconded by Mr Ezri Sin KhaiYih:-

“It was resolved that the Directors of the Company be and are hereby authorised to offer and grant awards (the Awards) in accordance with the provisions of the Micro-Mechanics Performance Share Plan and to deliver existing Shares, including treasury shares, and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of Awards under the Micro-Mechanics Performance Share Plan, provided that the aggregate number of new Shares to be allotted and issued pursuant to the Micro-Mechanics Performance Share Plan shall not exceed five per cent of the total number of issued Shares in the capital of the Company (excluding treasury shares) from time to time.”

8.2 The Chairman reminded the meeting that the directors and employees who were shareholders and eligible to participate in the Plan should abstain from voting on Ordinary Resolution No. 8.

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

9. Results of the Poll

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

Resolution number and details	Total number of shares represented by votes for and against the relevant resolution	For		Against		
		Number of shares	As a percentage of total number of votes for and against the resolution (%)	Number of shares	As a percentage of total number of votes for and against the resolution (%)	
Ordinary Business						
1. Adoption of directors’ statement and audited financial statements for the financial year ended 30 June 2016	91,261,840	91,261,840	100	-	0	
2. Payment of final and special dividends	91,261,840	91,261,840	100	-	0	
3. Re-election of Mr Low Ming Wah as director	84,135,839	84,135,839	100	-	0	

4.	Re-election of Mr Girija Prasad Pande as director	91,261,840	91,261,840	100	-	0
5.	Approval of directors' fees	91,261,840	91,261,840	100	-	0
6.	Re-appointment of KPMG LLP as auditors	91,261,840	91,261,840	100	-	0
Special Business						
7.	Authority to allot and issue new shares	91,261,840	91,176,840	99.91	85,000	0.09
8.	Authority to allot and issue shares under Micro-Mechanics Performance Share Plan	44,911,274	44,884,274	99.94	27,000	0.06

9.2 Accordingly, the Chairman declared:-

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

9.3 The CFO informed the AGM that Ms Chu Sook Fun, the current audit partner from KPMG LLP would be stepping down after being in charge of the Group's audit for the past 5 consecutive years. He expressed his thanks and appreciation to Ms Chu and welcomed the new audit partner in charge, Ms Yeo Lik Khim who would be handling the Group's audit for FY2017.

There being no further business, the meeting ended at 3.40 p.m.

SUMITRI MENON
CHAIRMAN