MICRO-MECHANICS®

FINANCIAL YEAR 2015

ANNUAL REPORT

CORPORATE PROFILE

Micro-Mechanics designs, manufactures and markets high precision tools, parts and assemblies for the semiconductor, medical, aerospace and other high technology industries.

Beginning in 1983 with a small factory in Singapore, the Group has grown steadily over the past 32 years to become a publicly-listed corporation with a global presence. Today, it has five manufacturing facilities located in Singapore, Malaysia, China, the Philippines and the USA, and a direct sales presence in Taiwan, Indonesia 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.

For its semiconductor tooling business, the Group designs, manufactures and sells a market-leading range of precision tools, parts and consumable products that are critical in the chip assembly and testing process.

The Group also has a Custom Machining & Assembly division that manufactures precision parts and assemblies on a contract basis for tier-one equipment makers in the aerospace, medical, instrumentation and wafer fabrication industries.

Since listing on the Singapore Exchange in June 2003, Micro-Mechanics has received multiple awards in recognition of its high standards of corporate governance, quality of disclosure, transparency and investor relations.

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.

CONTENTS

CHAIRMAN'S STATEMENT

Dear Stakeholders,

On behalf of our Board of Directors, I am delighted to report that Micro-Mechanics registered a fourth consecutive year of double-digit revenue and net profit growth for the 12 months ended 30 June 2015 ("FY2015") to achieve a record financial performance. These results mark a significant milestone for Micro-Mechanics, being the first time our net profit has crossed the S$10 million mark.

In FY2015, the Group's net profit rose 55.3% to S$12.0 million on the back of a 19.0% rise in revenue to S$52.2 million and an expansion in gross profit margin to 55.0%. As we start a new financial year, Micro-Mechanics continues to be in a strong financial position with cash balances of S$15.4 million and no bank borrowings.

In this Annual Report, our Executive Management has provided a comprehensive review of the Group's financial performance and operations, as well as the challenges that we faced during FY2015.

Since Micro-Mechanics was listed on the Singapore Exchange in 2003, we have consistently rewarded shareholders for their support of the Group. With our record financial performance in FY2015, we plan to distribute a special dividend of 1 cent per share on top of a final dividend of 2 cents per share, subject to our shareholders' approval at the upcoming Annual General Meeting on 28 October 2015. This will bring our total dividend payment for FY2015 to 5 cents per share, compared with 3 cents per share for FY2014. Including this final dividend, the Group would have distributed a total of 39.9 cents to our shareholders since 2003. Based on dividends alone, this translates into a return of more than 200% for shareholders who bought Micro-Mechanics shares at our Initial Public Offer.

In line with good governance practices and in response to feedback from our shareholders, the Group recently announced the adoption of a newly formulated dividend policy. Our Directors believe this policy is in the best interests of our shareholders and other stakeholders.

Beyond financial performance, we pay much attention to good governance because it creates and supports shareholder value and makes for sustainability. At Micro-Mechanics, we firmly believe that transparency within an organisation forms the foundation for good governance and sound decision making. As such, we intend to continue working to build a strong corporate culture based on transparency and clear performance metrics. The continuous efforts we have made to improve our corporate governance and investor relations have not gone unnoticed and Micro-Mechanics has received wide recognition for our practices.

On 8 July 2015, we were very pleased to receive the Silver Award for Best Investor Relations and the Silver Award for Best Managed Board at the Singapore Corporate Awards (SCA) 2015. This was the sixth successive year that Micro-Mechanics has won the SCA's Investor Relations Award and the second time that our board practices have been recognised by the SCA. Including these two awards, the Group has received a total of 17 awards for our good corporate governance, transparency and investor relations practices. A full list of these awards can be found on page 4 of this Annual Report.

In the latest Governance and Transparency Index (GTI) 2015 released on 19 August 2015, Micro-Mechanics was ranked 18th with a GTI score of 87 points. 639 companies listed on the Singapore Exchange were ranked. This was an improvement over our previous year's ranking and a very creditable performance as only 21 companies, comprising mainly large capitalisation companies, achieved a GTI score of 85 points or better.

Going forward, we intend to continue building on our financial performance as well as our governance practices. Again, our Executive Management team has provided a clear outline of our key operating strategies to attain these broad objectives.

In closing, I would like to thank my fellow board members for their wisdom, sound judgement and practical advice. On behalf of the Board, I would like to extend our sincere appreciation to all the Group's employees for their dedication and valuable contributions. We also wish to thank 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,

We are pleased to report a fourth straight year of revenue and profit growth. For the 12 months ended 30 June 2015 ("FY2015"), Group revenue grew 19% to S$52.2 million while our net profit increased 55.3% to a record S$12.0 million.

While growing the Group's top line and the value we create for our customers remains a key priority, the improvement in our gross profit (GP) margin to 55% demonstrates our continuous efforts to improve productivity and operational efficiency at all levels of the Group. Our tight rein on spending also contributed positively to our performance as overhead expenses increased at a much lower rate of 6.5% compared with our top-line growth. As a result, the Group's net profit margin expanded significantly to 23.0% in FY2015 from 17.6% in FY2014.

On a quarterly basis, the Group continued to benefit from the investments, time and energy that we have put into improving operational efficiency. Despite experiencing the usual selling price pressure typical of the technology manufacturing industry, the Group achieved higher year-on-year revenue and GP in all four quarters of FY2015. At the bottom line, the Group's net profit in the fourth quarter of FY2015 increased 16.8% to S$2.8 million which marked our eleventh consecutive quarter of double-digit, year-on-year net profit gains since the second quarter of FY2013.

Business Overview

Our semiconductor tooling business, which serves a world-wide base of customers involved in the assembly and testing of semiconductors, accounted for 85.7% of Group revenue. This division performed commendably in FY2015 with revenue growth of 21.9% to S$44.7 million and GP margin expansion to 62.6%.

As China continues developing into a major center for global chip manufacturing activity, we have been steadily broadening our customer base and expanding sales to gain a larger share of this key market for semiconductor tools. As a result, sales of our semiconductor tools in China increased 37.8% to S$13.6 million from S$9.9 million in FY2014.

While we plan to continue seeking new sales opportunities in China, we are also making encouraging progress in our other semiconductor tooling markets such as Taiwan, Malaysia and the Philippines. These three markets delivered double-digit sales growth in FY2015. At 26% of Group revenue, China was our largest geographical market followed by Malaysia with 21% and the USA with 15%.

We are also aware that the Group must continually adapt to changes in the market landscape. After a lengthy and careful analysis of the semiconductor tooling market in Thailand, we decided last year to close the Group's wholly-owned subsidiary there. Consequently, our results for FY2015 include a one-time charge of about S$0.4 million related to the closure. During FY2015, sales in Thailand represented 2% of Group revenue.

The Group's subsidiary in the USA, which houses our Custom Machining & Assembly ("CMA") division, reported a loss of S$1.05 million (including non-cash depreciation expenses of S$1.3 million) in FY2015. The Group also recorded an impairment allowance of S$3.5 million on monies owed by our USA subsidiary to the Company at the end of FY2015. Although this allowance is an internal provision and does not impact the Group's bottom line, it is nonetheless cause for concern and serves to intensify our focus on improving our USA subsidiary's performance.

During the year, we completed one of the last phases of our planned S$12 million investment in state-of-the-art equipment to build a *24/7 Machining* facility at the USA factory. Although we intend to invest an additional S$0.6 million for equipment in FY2016, we have completed most of the difficult and challenging engineering work during the last four years.

Going forward, our team in the USA is focused on developing innovative and cost-effective processes for new parts, growing CMA revenue and meeting the needs of our customers in the aerospace, semiconductor, medical and laser industries for "*Perfect Parts, On Time, Every Time*" based on repeatable, scalable and cost-effective processes.

EXECUTIVE MANAGEMENT REPORT

As we begin a new financial year, the Group's financial position remains strong. With no bank borrowings to service and a careful watch over inventory and receivables, our net cash generated from operating activities in FY2015 totalled S$14.1 million, up significantly from S$10.8 million in the previous year. After net investing activity of S$3.7 million and distributing S$5.6 million in dividends to our shareholders, our cash position at the end of FY2015 increased by 37% to S$15.2 million from S$11.1 million at the end of FY2014.

Market, Industry and Competitive Conditions

On a short-term basis, business forecasting and planning will remain difficult. Visibility continues to be clouded by a host of political and economic uncertainties while continued unrest in various parts of the world make markets unpredictable, volatile and cost-competitive.

According to data from the Semiconductor Industry Association, worldwide sales of semiconductors during the first six months of 2015 increased 3.9% from the same period last year. While market watchers see slower chip sales growth in the second half of 2015, the industry is expected to still show modest growth in 2016 and 2017. However, as the chip industry is being increasingly driven by the demand for consumer electronics, we are seeing increased price and delivery pressures from our customers. Together with rising costs and the on-going shortage of skilled workers, the operating environment for the Group is likely to remain challenging.

Key Operating Strategies

Despite the difficult operating environment, we understand what is required for the Group to sustain its growth over the long term. We are continuing to focus on our 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 critical part for a leading maker of aerospace, laser or medical equipment, our mission is to deliver "*Perfect Parts and Tools, On Time, Every Time*" based on repeatable, scalable and cost-effective processes.

As we pursue this mission and the value it represents to our customers, we plan to continue deploying resources towards the development of automated processes. At the beginning of FY2012, we employed about 601 people in our factories around the world. By focusing on our core competencies and implementing initiatives such as *24/7 Machining* to improve performance and productivity, our headcount has been reduced by over 25% to 447 people at the end of FY2015.

Whether it is dealing with cost pressures, implementing complex engineering initiatives or developing a better approach to business planning, we need to foster an environment of continuous learning, innovation and improvement. To implement such a learning culture amongst our people, we began a carefully structured in-house training program several years ago which we call *MMUniversity*. With a series of workshops on Customer Value, Business Planning, *24/7 Machining* and the Fundamentals of Value-Driven Decision Making, our goal is to help our people to develop their potential and provide everyone with a common framework for making better decisions based on our mission and an understanding of value.

Appreciation

At Micro-Mechanics, we are fond of saying that "People make everything happen." This belief is central to the way we operate; and our policies, compensation and everyday practices are designed to recognise the indispensable role our people play in the Group's long-term success. For FY2015, our results included about S$1.8 million in compensation expenses to our people under the Group's Performance Bonus Incentive Plan.

We look forward to continue working together to build value for all our 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 efforts to practice sound corporate governance and transparency.

In 2015, we received the Silver Award for Best Managed Board and Silver Award for Best Investor Relations at the Singapore Corporate Awards. In the Governance and Transparency Index (GTI) 2015 released on 19 August 2015, Micro-Mechanics attained a score of 87 points to rank 18th out of 639 companies listed on the Singapore Exchange.

The Group has an Investor Relations policy which can be found on pages 30 to 32 of this Annual Report.

SINGAPORE CORPORATE AWARDS

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)

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

FINANCIAL HIGHLIGHTS

INCOME STATEMENT SUMMARY

Financial year-end 30 June

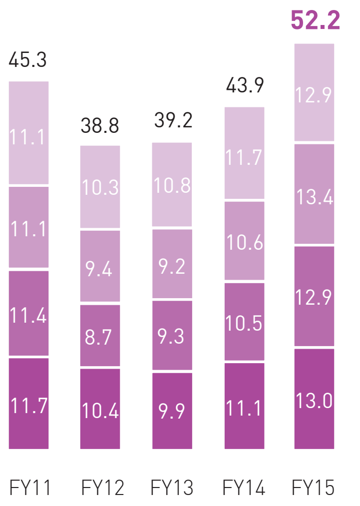
(S$ million)	FY2011	FY2012	FY2013	FY2014	FY2015
Revenue	45.3	38.8	39.2	43.9	**52.2**
Gross Profit	20.8	18.0	19.2	22.2	**28.7**
Profit Before Taxation	8.6	5.8	6.9	9.7	**15.4**
Net Profit	6.8	4.2	5.1	7.7	**12.0**
EPS (cents)	4.9	3.0	3.7	5.6	**8.7**
Weighted average number of shares in issue	138,779,402	138,969,239	139,031,881	139,031,881	**139,031,881**

BALANCE SHEET SUMMARY

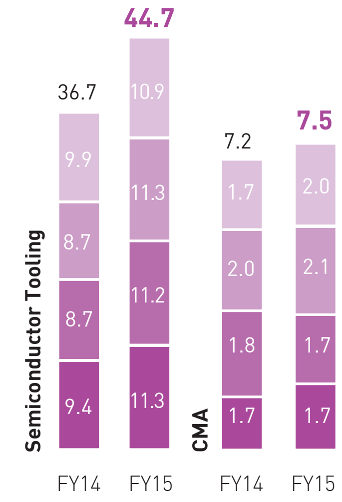
(S$ million)	As at 30 June 2014	As at 30 June 2015
Total Non-Current Assets	27.2	**26.9**
Total Current Assets	23.8	**28.8**
Total Non-Current Liabilities	1.3	**1.3**
Total Current Liabilities	8.5	**7.5**
Shareholders' Equity	41.1	**46.9**
Cash and cash equivalents	11.1	**15.2**
Trade and other receivables	9.6	**10.2**
Trade and other payables	7.3	**6.1**
Short and Long-term Debt	0.0	**0.0**
NAV per share (cents)	29.57	**33.72**
Shares in issue at the end of financial period	139,031,881	**139,031,881**

FINANCIAL HIGHLIGHTS

GROUP REVENUE (S$M)



REVENUE BY PRODUCT (S$M)



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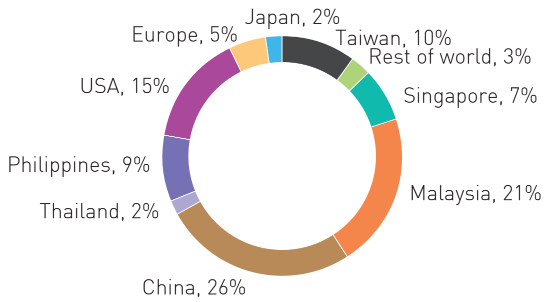
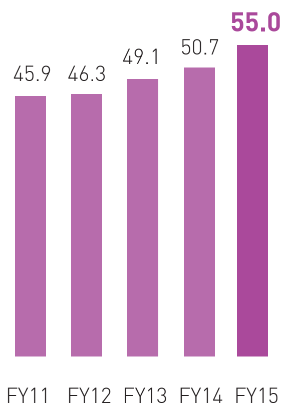
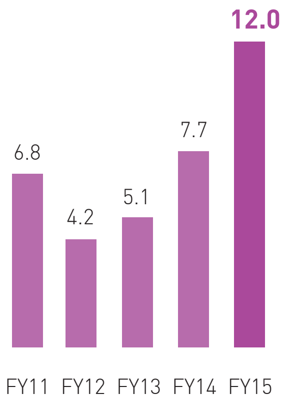
REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET (FY2015)



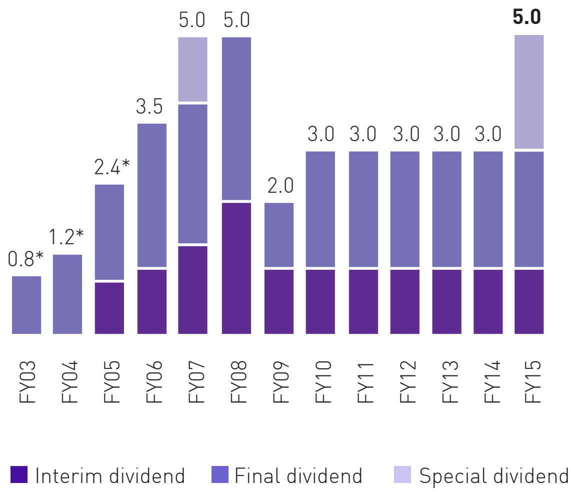
GROUP GROSS PROFIT MARGIN (%)



GROUP NET PROFIT (S$M)



DIVIDEND HISTORY (S CENTS)



*adjusted for 1-for-4 bonus share issue in FY2005

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 30 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. A life-long competitive runner, Mr. Borch is a director of the United States Track and Field Federation Foundation, a unit of the national governing body for athletics in the U.S. Mr. Borch also a member of the Board of Trustees at Furman University.

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 30 years of experience in the semiconductor and precision engineering industry. Currently, Mr. Low is Council Member and Deputy Chairman of the Singapore Precision Engineering & Technology Association (SPETA). 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.

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 in the region. Prior to joining Micro-Mechanics, Mr. Chow has more than 15 years working experience in auditing and accounting in Hong Kong.

In February 2008, Mr. Chow was recognized as the Chief Financial Officer of the Year at the Singapore Corporate Awards. Mr. Chow is currently an Advisory Council Member of Singapore CFO Institute under Singapore Accountancy Commission. He is also a Committee Member of the Corporate Governance Committee of Institute of Singapore Chartered Accountants (ISCA) and Audit Committee Member of Singapore Chinese Orchestra. Mr. Chow was Committee Member of CFO Committee of ISCA (2008 to 2014).

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.

BOARD OF DIRECTORS

Girija Pande

Independent Director

Mr. Girija Pande is Executive Chairman of Apex Avalon Consulting Pte Ltd, a Singapore-based JV company that provides Strategy Consulting services to businesses in Asia Pacific. Avalon Consulting group with 1600 FTE was ranked in the top 10 Consultancies in APAC. Mr. Pande has over three decades of experiences in senior positions with ANZ Banking Group and Tata Consultancy Services (TCS) Ltd, a global IT company where he spent the last 11 years. In his last role as Chairman of TCS, Mr. Pande grew its APAC business from scratch to over 11,000 associates in 14 countries. He was conferred the best CEO award from Singapore HR Institute. Mr. Pande was also Vice Chairman of TCS' joint-venture with the Chinese Government and instrumental in building the business to over 2,500 associates in six cities in China. Mr. Pande served as Economic Advisor to the Mayor of Guangzhou. He was council member for the Singapore Government's high powered Manpower Council set up by the Infocom Development Authority and serves on the Advisory Board of Singapore Management University, the boards of Singapore International Chamber of Commerce,Institute of South Asian Studies and National Council of Social Services and is a Trustee of SINDA. Mr. Pande holds a Bachelor degree in Mechanical Engineering and MBA from the Indian Institute of Management.

Lai Chin Yee

Independent Director

Ms. Lai was appointed as our Independent Director on 1 June 2014. She has more than 27 years of experience in auditing, taxation, finance and accounting and is currently the Finance Director of Qian Hu Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Prior to her current job, Ms. Lai was an auditor with international accounting firms from 1987 to 2000. She is also the Lead Independent Director of Ryobi Kiso Holdings Ltd, a company listed on the SGX-ST.

Ms. Lai was appointed by the Ministry of Finance as a member of the Tax Advisory Committee from September 2004 to September 2006. She also served as a council member of the Council on Corporate Disclosure and Governance from December 2006 to August 2007 and was a member of the CFO Committee of the Institute of Singapore Chartered Accountants from 2009 to 2012.

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

EXECUTIVE OFFICERS

SINGAPORE
Micro-Mechanics Pte Ltd
Mr. Mui Weng Chiew (Factory 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 2012)

Christopher Reid Borch
Executive Director
First appointed: 25 June 1996
(Email: cborch@micro-mechanics.com)
(re-appointed on 27 October 2014)

Low Ming Wah
Executive Director
First appointed: 25 June 1996
(Email: mwlow@micro-mechanics.com)
(re-appointed on 28 October 2013)

Chow Kam Wing
Executive Director
First appointed 20 January 2003
(Email: kamchow@micro-mechanics.com)
(re-appointed on 29 October 2012)

Girija Prasad Pande
Independent Director
First appointed: 10 September 2009
(Email: gpande@micro-mechanics.com)
(re-appointed on 28 October 2013)

Lai Chin Yee
Independent Director
First appointed: 1 June 2014
(Email: laicy@micro-mechanics.com)
(re-appointed on 27 October 2014)

Audit Committee

Lai Chin Yee
Chairman
Sumitri Mirnalini Menon @ Rabia
Girija Prasad Pande

Nominating Committee

Sumitri Mirnalini Menon @ Rabia
Chairman
Girija Prasad Pande
Lai Chin Yee

Remuneration Committee

Girija Prasad Pande
Chairman
Sumitri Mirnalini Menon @ Rabia
Lai Chin Yee

Risk Management Committee

Lai Chin Yee
Chairman
Girija Prasad Pande
Sumitri Mirnalini Menon @ Rabia
Low Ming Wah
Chow Kam Wing

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: Chu Sook Fun
(appointed since 1 July 2011)

Internal Auditors

Nexia TS Risk Advisory Pte Ltd
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

Principal Banker

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

Solicitor

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321
Partner: Kenny Kwan

Investor Relations Consultant

Octant Consulting
7500A Beach Road
#08-318 The Plaza
Singapore 199591
Tel: 65-6296-3583
Email: herman@octant.com.sg/
lisa@octant.com.sg

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 practices, policies and processes comply with the revised Code of Corporate Governance (the "**Code**") released by the Council on Corporate Disclosure and Governance in May 2012. Explanations have been provided for any deviation from the Code and how such alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code.

This report describes the Company's corporate governance practices, policies and processes for the financial year ended 30 June 2015 ("**FY2015**") with reference to specific guidelines in the Code.

HIGHLIGHTS

(1) In the latest Governance and Transparency Index (GTI) 2015 released on 19 August 2015, Micro-Mechanics ranked 18th out of 639 companies listed on the Singapore Exchange.

(2) In June 2014, our Singapore plant operations were successfully certified as conforming to the Business Continuity Management System standard ISO22301:2012. It was audited in May 2015 and successfully renewed.

(3) The Company has complied with the recommendations in the Disclosure Guide issued by the Singapore Exchange in January 2015 and incorporates a Question-and-Answer format to provide guidance on the specific principles and guidelines requiring express disclosure in the Code.

(4) A practice has been adopted for the despatch of the annual report and the notice of the AGM to shareholders 28 days before such AGM.

(5) All directors are required to seek Board approval before trading in shares of the Company.

(6) The Company has a policy that a director cannot hold more than 4 directorships in listed companies including the Company.

(7) All resolutions tabled at the AGM are voted by poll and the Company publishes the results of the voting on each resolution tabled and posts the minutes of the AGM on SGXNET.

(8) The Board received assurances 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 a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective.

(9) A dividend policy was established on 29 August 15.

CORPORATE GOVERNANCE

BOARD MATTERS

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

Guideline 2.1

Does the Company comply with the guideline on the proportion of independent directors on the Board?

The company complies with this guideline. The Board comprises six Directors, three 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.

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 risk policies and procedures and requires goals from management as well as monitors the achievement of those goals.

Guideline 1.3

Delegation of authority, by the Board to any board committee, to make decisions on certain board matters

The Board does not delegate any authority. To assist in the execution of its responsibilities, the Board has established 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. The Committees report and make recommendations to the Board.

Guideline 1.4

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

Guideline 1.5

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 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.

CORPORATE GOVERNANCE

Guideline 1.6

(a)	*Are new directors given formal training?*
(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.

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, in-house training and other programs relating to the discharge of their duties as directors. The Company is prepared to undertake funding for such continuing education. During FY2015, all directors met the continuing education target.

Attendances and number of meetings

Guideline 1.4

The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings.

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	6	2	1	2	1
Directors:	**Number of Meetings Attended**					
Christopher Reid Borch	4	NA	1*	NA	NA	1
Low Ming Wah	4	2*	NA	NA	2	1
Chow Kam Wing	4	6**	2**	1**	2	1
Ng Beng Tiong[#]	2	3	1	1	1	1
Sumitri Mirnalini Menon @ Rabia	4	5	2	1	2	1
Girija Prasad Pande	4	6	2	1	2	1
Lai Chin Yee	4	6	2	1	2	1

NA – not applicable as the director is not a member of the Committee

* – attendance by invitation of the Committee

** – attendance as Secretary of the Committee

[#] Mr. Ng retired on 27 October 14

CORPORATE GOVERNANCE

Separation of the roles of Chairman and Chief Executive Officer

Guideline 3.1

Ms Sumitri Mirnalini Menon @ Rabia is the Non-Executive Chairman of the Board of Directors and Mr. Christopher Borch is the Chief Executive Officer 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 Group practices effective communications with shareholders;

– to assist in ensuring compliance with the Company's guidelines on corporate governance.

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:	Ng Beng Tiong (retired on 27 October 14)
Member:	Girija Pande
Member:	Lai Chin Yee

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 2.1 and 2.2

To ensure independence, the Board has ensured that members are not related to each other. Half of the members are independent and non-executive and the Chairperson of the Board and Chairpersons of all Committees are Independent and Non-Executive Directors.

CORPORATE GOVERNANCE

Guideline 2.6

(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?*

The Board has been mindful of the need for diversity and has been deliberate in identifying its requirements given the nature and scope of its business and operations. We are satisfied with the current composition of the Board.

There is considerable diversity in the Board. Its members have different relevant competencies, expertise, knowledge, professional backgrounds. Our non-executive members include a practicing lawyer, a chartered accountant who is the chief financial officer of another listed company and a management consultant with financial tertiary qualifications and considerable experience in senior management in a large global organisation. Our executive members have backgrounds and tertiary qualifications in the fields of engineering, accounting, auditing and business management.

In addition, members are of different nationalities, backgrounds and ethnicities and the Board comprises both men and women. Within the six members of the Board there are four nationalities and two women. For further particulars of our members, please refer to pages 7 and 8.

This has allowed for different perspectives and insights and contributed to better decision making.

Guideline 5.1

(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 and participation at as well as prior, to and preparation for Board and Committee meetings.

The Board is of the view that it has met its performance objectives.

CORPORATE GOVERNANCE

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 a Director is independent;
- to determine whether a Director is able to and has been adequately carrying out his 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

(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?*

On 1 May 2010, the Board resolved to limit each director to holding not more than 4 directorships in listed companies including the Company. The Board believes that this is a reasonable number to provide the directors sufficient time to carry out their duties effectively and efficiently. At the end of each financial year each director is required to formally disclose and confirm all appointments.

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.

During the financial year, almost all directors recorded full attendance to all meetings.

CORPORATE GOVERNANCE

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.

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; and

(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.

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.

– 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.

CORPORATE GOVERNANCE

Guideline 2.3

(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.*

There is no director deemed to be independent notwithstanding the existence of a relationship.

Ms Sumitri Mirnalini Menon@Rabia, Mr. Girija Pande and Miss Lai Chin Yee 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 10.

Guideline 4.6

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 Board has charged the NC with the task of identifying and shortlisting candidates for the Board (whether in the event of a vacancy or to add to the Board) and the process 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. External sources include the Company's Auditors, its Secretarial Services Providers, its Human Resource Consultants, the Singapore Institute of Directors, the Register of Women Directors and Securities Investors Association of Singapore, etc. Interviews shall be conducted by the NC and short-listed candidates are recommended to the Board for consideration.

Re-election of incumbent directors – One third of the Board is obliged to retire at the end of each year. The members obliged to retire are brought to the Board's attention prior to the AGM as part of its fixed agenda. For the sake of continuity and good governance, unless the retiring member is unwilling to continue or there are circumstances which require a re-examination of the appointment from the viewpoint of performance or the recommendations of the Code, the Board will generally recommend the re-election of the retiring member to the Annual General Meeting which will vote on each re-election or appointment.

Guideline 4.7

The Company's Articles of Association require one-third of our Directors to retire and subject themselves to re-election by shareholders at every AGM. At the forthcoming AGM, Mr Chow Kam Wing and Ms Sumitri Miranlini Menon @ Rabia will retire by rotation. Mr Chow and Ms Menon will be standing for re-election. After taking into account their contribution and performance the NC has recommended to the Board that Mr Chow and Ms Menon be re-nominated 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.

CORPORATE GOVERNANCE

Guideline 2.4

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 an Independent Director for the twelfth 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 Directors. The Board 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.

ACCESS TO INFORMATION

Guideline 6.1

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?

Independent directors are provided with financial, marketing, human resource and asset management reports and financial highlight to the Board monthly. Quarterly, half yearly and yearly the Board will receive quarterly financial report with budget variance analysis and updated marketing information. 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.

Guideline 6.2

The Board and the Committees are furnished with complete, adequate and reliable board 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 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 detailed budget variance analysis report is also submitted to the Board every quarter.

Guideline 6.3

The company secretary attends and minutes all Board meetings. He assists with proper procedure and compliance with the Companies Act, the Company's Memorandum and Articles of Association and other applicable rules and regulations. The Directors have 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.

CORPORATE GOVERNANCE

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:	Ng Beng Tiong (retired on 27 October 14)
Member:	Sumitri Mirnalini Menon @ Rabia
Member:	Lai Chin Yee

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

(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?*

CORPORATE GOVERNANCE

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 which is subject to approval of Remuneration Committee 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 such as profitability, sales turnover, assets management, human resource management, delivery time etc. For Executive Directors, the PBI is linked to the performance of the Group and the achievement of established targets which are same as those for the employees. It is noted that during the year under review, key targets were either met or progress was made in respect of the same. It is further noted that some adjustments have been for more focus on those targets not met and in particular on the processes and automation required to improve delivery time, a key target.

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.

Guideline 9.5

Details and important terms of employee share schemes.

The Performance Shares Plan ("**Plan**") was approved by Shareholders on 30 October 2008. The main objectives of the Plan are as follows:

– to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees towards sustained superior work performance;

– to incentivize employees to excel in their performance and encourage greater dedication and loyalty to the Group;

– to supplement and enhance the remuneration packages of employees;

The life of the Plan is 10 years from the date approved by the shareholders and the Plan is administered by the Remuneration Committee. The total performance shares is not more than 5% of total issued share capital. All employees and directors are eligible for the Plan. The performance share is an integral part of the PBI as mentioned above.

During the year, no ordinary shares were issued to the employees or Directors. The Remuneration Committee did not propose any performance share for FY2015.

Guideline 9.1

Service contracts with the CEO, COO and CFO who are also Executive Directors are for a fixed appointment period 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.

CORPORATE GOVERNANCE

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 Group, the competitive business environment we operate in and the irrevocable negative impact such disclosure would have on the Group.

Guideline 9.2

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?

The remuneration of its executive directors and CEO has been disclosed within relatively narrow bands. The Board is of the view given the keen competitive environments in which the Company operates, that this is sufficient disclosure to meet the objectives of the Code and is in the interest of all stakeholders. The requisite breakdown and remuneration of the Company's Independent Directors is stated below.

The breakdown of the level and mix of remuneration of each Director and the key executives in FY2015 is as follows:

Remuneration of Directors

Remuneration band & name of Director	Director's fee	Salary	Bonus	Allowances/ Benefits	Total
S$500,000 to S$750,000					
Christopher R. Borch	3%	50%	46%	1%	100%
Low Ming Wah	3%	48%	46%	3%	100%
Chow Kam Wing	3%	48%	46%	3%	100%
Ng Beng Tiong (retired on 27 October 14)	S$15,200	–	–	–	S$15,200
Sumitri Mirnalini Menon @ Rabia	S$60,800	–	–	–	S$60,800
Girija Prasad Pande	S$41,800	–	–	–	S$41,800
Lai Chin Yee	S$46,233	–	–	–	S$46,233

Guideline 8.3

The Independent and Non-Executive Directors receive directors' fees in line with 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 + 10% for each Committee Chairperson;

– the base director's fee + 20% for Audit Committee Chairperson;

– the base director's fee + 50% for Board Chairperson;

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

CORPORATE GOVERNANCE

Guideline 9.3

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?

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	–	97%	–	3%	100%
Tan Beng Lim	–	55%	30%	15%	100%
Richie Cajili Manuel	–	64%	33%	3%	100%
Shen Zi Quan	–	59%	31%	10%	100%
Mui Wing Chiew	–	56%	29%	15%	100%

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$663,451.

Guideline 9.4

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.

No employee of the Group is an immediate family member of the substantial shareholders, a Director or the CEO in the financial year under review, earning remuneration more than S$50,000 during the year.

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 a month 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.

CORPORATE GOVERNANCE

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:	Ng Beng Tiong (retired on 27 October 14)

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 Chairman, who is a Chartered Accountant, has been the chief financial officer for many years of a Singapore listed company.

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 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 auditor, and approve the remuneration and terms of engagement of the external auditor;

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

- 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;

- 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

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$152k and the non-audit services fee is S$28k.

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 these subsidiaries and did review their accounts.

Guideline 12.8

Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.

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 impact on the Company's financial statements.

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.

CORPORATE GOVERNANCE

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

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.

Guideline 13.4

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 internal audit shall be carried out in accordance with the IIA standards.

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.

CORPORATE GOVERNANCE

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.

Financial risk management is discussed in Note 19 to the financial statements set out on page 69.

Risk Management Committee

Risk Management Committee was formed on 28 August 14 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:	Ng Beng Tiong (retired on 27 October 14)
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
- review breaches of risk appetite and tolerances

CORPORATE GOVERNANCE

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.

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

Guideline 11.3 and Listing Rule 1207 (10)

(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 is of the view, 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;

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

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

– 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. CEO and CFO obtained the 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 2015, our USA operations recorded an annual revenue of S$9.1 million and had total assets of S$11.9 million.

CORPORATE GOVERNANCE

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.

Guideline 15.4

(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?*
(d)	*The steps the Board has taken to solicit and understand the views of the shareholders.*

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. CEO, COO and CFO will attend all IR briefing to answer questions from the audience and receive their feedback. The IR briefing presentation will be announced via SGXNET.

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.

CORPORATE GOVERNANCE

Guideline 15.3

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.

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;

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

Encouraging Greater Shareholder Participation

Annual reports and notices of AGMs are sent to all shareholders 28 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.

Guideline 16.3

At AGMs, the CEO 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 and Remuneration Committees, 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. 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 via SGXNET.

To enhance shareholders' participation, the Company holds its AGM at central locations that are easily accessible.

Guideline 15.5

Dividend policy

Effective from FY2016, the Company has adopted a dividend policy of paying annual dividends, including interim, of not less than 40% of the consolidated net profit as stated in the audited report, subject to the Group's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans, and other relevant factors.

The dividend policy has been formulated taking into account the Company's historical performance and dividends paid. The Board believes that this policy is in line with good corporate governance practices and is in the best interests of our shareholders and other stakeholders. The Directors will continually review the dividend policy and reserve the right to update, amend, modify or cancel this dividend policy.

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 on short term considerations and 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.

CORPORATE GOVERNANCE

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.

On 27 February 2015, the Group announced that its wholly-owned subsidiary Micro-Mechanics Inc (MMUS) entered into a lease agreement with Sarcadia LLC, a controlling shareholder and a family trust set up by Mr. Christopher Reid Borch, the CEO of the Company. Pursuant to the lease, Sarcadia LLC will lease the premises to MMUS for a period of 3 years with effect from 1 May 2015. The estimate rental fees payable for the duration of the lease is US$1,044,000). For the financial year ended 30 June 2015, the Group has paid US$56,000 being rental to Sarcadia LLC.

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
Ng Beng Tiong	NIL	NIL
Sumitri Mirnalini Menon @ Rabia	NIL	NIL
Girija Pande	Ascendas Property Fund Trustee Pte. Ltd.	NIL
Lai Chin Yee	Qian Hu Corporation Limited Ryobi Kiso Holdings Limited	CCM Group Limited China Sports International Limited

DIRECTORS' REPORT

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 2015.

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

Christopher Reid Borch
Low Ming Wah
Chow Kam Wing
Sumitri Mirnalini Menon @ Rabia
Girija Prasad Pande
Lai Chin Yee

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
Ordinary shares		
Christopher Reid Borch	73,310,169	73,310,169
Low Ming Wah	7,127,001	7,127,001
Chow Kam Wing	2,812,000	2,812,000
Sumitri Mirnalini Menon @ Rabia	495,000	495,000
Girija Prasad Pande	137,000	137,000

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 report, 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.

There were no other changes in any of the above mentioned interests in the Company between the end of the financial year and 21 July 2015.

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.

Except for salaries, bonuses, fees and those benefits that are disclosed in this report and in notes 15 and 18 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

DIRECTORS' REPORT

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 report are as follows:

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

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

The Audit Committee has held six 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.

DIRECTORS' REPORT

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, subsidiaries and significant associates, 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 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 40 to 78 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015 and the financial performance, changes in equity and 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; 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.

On behalf of the Board of Directors

Christopher Reid Borch
Director

Chow Kam Wing
Director

29 August 2015

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Micro-Mechanics (Holdings) Ltd. (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 78.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

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

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.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
29 August 2015

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

		Group		Company	
	Note	2015	2014	2015	2014
		$	$	$	$
Assets					
Property, plant and equipment	4	26,645,774	26,632,893	–	–
Subsidiaries	5	–	–	17,855,816	17,654,378
Trade and other receivables	7	273,017	524,456	4,696,028	4,265,364
Non-current assets		26,918,791	27,157,349	22,551,844	21,919,742
Inventories	6	3,504,331	3,089,440	–	–
Trade and other receivables	7	10,173,370	9,552,149	6,848,896	4,769,664
Cash and cash equivalents	8	15,161,285	11,081,995	2,411,980	4,094,745
Assets held for sale	9	–	55,294	–	–
Current assets		28,838,986	23,778,878	9,260,876	8,864,409
Total assets		55,757,777	50,936,227	31,812,720	30,784,151
Shareholders' equity					
Share capital	10	14,782,931	14,782,931	14,782,931	14,782,931
Reserves	11	32,102,986	26,329,753	16,639,957	15,728,174
Total equity		46,885,917	41,112,684	31,422,888	30,511,105
Liabilities					
Deferred tax liabilities	12	1,344,479	1,283,567	–	–
Non-current liability		1,344,479	1,283,567	–	–
Trade and other payables	13	6,096,809	7,296,759	385,463	266,522
Current tax payable		1,430,572	1,243,217	4,369	6,524
Current liabilities		7,527,381	8,539,976	389,832	273,046
Total liabilities		8,871,860	9,823,543	389,832	273,046
Total equity and liabilities		55,757,777	50,936,227	31,812,720	30,784,151

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2015

	Note	2015 $	2014 $
Revenue	14	52,197,046	43,856,663
Cost of sales		(23,510,279)	(21,620,580)
Gross profit		28,686,767	22,236,083
Other income		1,456,978	1,008,342
Distribution costs		(3,126,072)	(3,160,343)
Administrative expenses		(8,738,740)	(7,649,289)
Other operating expenses		(2,891,026)	(2,689,686)
Profit before income tax	15	15,387,907	9,745,107
Income tax expense	16	(3,366,658)	(2,004,861)
Profit for the year		12,021,249	7,740,246
Attributable to:			
Owners of the Company		12,021,249	7,740,246
Non-controlling interests		–	–
Profit for the year		12,021,249	7,740,246
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		(686,740)	(397,149)
Total comprehensive income for the year		11,334,509	7,343,097
Total comprehensive income attributable to:			
Owners of the Company		11,334,509	7,343,097
Non-controlling interests		–	–
Total comprehensive income for the year		11,334,509	7,343,097
Earnings per share (in cents) – basic and diluted	17	8.65	5.57

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	Share capital $	Foreign currency translation reserve $	Accumulated profits $	Total $
At 1 July 2013	14,782,931	(2,275,994)	25,433,606	37,940,543
Total comprehensive income for the year				
Profit for the year	–	–	7,740,246	7,740,246
Other comprehensive income				
Foreign currency translation differences	–	(397,149)	–	(397,149)
Total other comprehensive income	–	(397,149)	–	(397,149)
Total comprehensive income for the year	–	(397,149)	7,740,246	7,343,097
Transactions with owners of the Company, recognised directly in equity				
Interim dividend of 1.0 cent per share (tax-exempt) in respect of 2014	–	–	(1,390,319)	(1,390,319)
Final dividend of 2.0 cents per share (tax-exempt) in respect of 2013	–	–	(2,780,637)	(2,780,637)
Total transactions with owners of the Company	–	–	(4,170,956)	(4,170,956)
At 30 June 2014	14,782,931	(2,673,143)	29,002,896	41,112,684

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	Share capital $	Foreign currency translation reserve $	Accumulated profits $	Total $
At 1 July 2014	14,782,931	(2,673,143)	29,002,896	41,112,684
Total comprehensive income for the year				
Profit for the year	–	–	12,021,249	12,021,249
Other comprehensive income				
Foreign currency translation differences	–	(686,740)	–	(686,740)
Total other comprehensive income	–	(686,740)	–	(686,740)
Total comprehensive income for the year	–	(686,740)	12,021,249	11,334,509
Transactions with owners of the Company, recognised directly in equity				
Interim dividend of 2.0 cents per share (tax-exempt) in respect of 2015	–	–	(2,780,638)	(2,780,638)
Final dividend of 2.0 cents per share (tax-exempt) in respect of 2014	–	–	(2,780,638)	(2,780,638)
Total transactions with owners of the Company	–	–	(5,561,276)	(5,561,276)
At 30 June 2015	14,782,931	(3,359,883)	35,462,869	46,885,917

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Profit before income tax		15,387,907	9,745,107
Adjustments for:			
Depreciation of property, plant and equipment		4,671,593	4,332,807
Impairment loss on property, plant and equipment		–	191,115
Property, plant and equipment written off		69,548	15,730
Gain on disposal of property, plant and equipment		(265,587)	(41,761)
Gain on disposal of assets held for sale		(257,292)	(279,656)
Interest income		(150,563)	(113,106)
		19,455,606	13,850,236
Changes in working capital:			
Inventories		(414,890)	(910,941)
Trade and other receivables		(676,414)	(1,035,954)
Trade and other payables		(1,917,391)	739,059
Cash generated from operations		16,446,911	12,642,400
Income tax paid		(2,298,927)	(1,803,052)
Net cash from operating activities		14,147,984	10,839,348
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,916,351)	(5,216,904)
Proceeds from disposal of property, plant and equipment		671,845	162,367
Proceeds from disposal of assets held for sale		322,704	360,677
Interest received		176,042	113,230
Net cash used in investing activities		(3,745,760)	(4,580,630)
Cash flows from financing activities			
Deposits pledged		24,689	5,377
Dividends paid		(5,561,276)	(4,170,956)
Net cash used in financing activities		(5,536,587)	(4,165,579)
Net increase in cash and cash equivalents		4,865,637	2,093,139
Cash and cash equivalents at 1 July		10,879,132	8,943,935
Effect of exchange rate fluctuations		(761,658)	(157,942)
Cash and cash equivalents at 30 June	8	14,983,111	10,879,132

Non-cash transaction

$Nil (2014: $1,872,750) of the property, plant and equipment purchased during the financial year have not been paid and was recorded in trade and other payables as at the end of the financial year.

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

NOTES TO THE 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 2015.

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 2015 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 (FRS).

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 FRS 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.

In the application of the Group's accounting policies, management is of the opinion that there is no instance of application of critical judgement which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates described below.

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 of property, plant and equipment
- Note 4 – valuation of property, plant and equipment
- Note 5 – valuation of investments in subsidiaries
- Note 6 – valuation of inventories
- Note 7 – valuation of trade receivables

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and 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.

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 gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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 retranslated 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 retranslated 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, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency (continued)

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. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

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 foreign currency translation reserve.

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 and 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment (continued)

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.

3.4 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other 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.

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 the loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables 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.

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.

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 liabilities into the other financial liabilities category.

3 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

3.5 **Financial instruments** (continued)

Non-derivative financial liabilities (continued)

Such financial liabilities are recognised initially at fair value plus 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 and foreign exchange contracts.

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.

3.6 **Impairment**

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment (continued)

Non-derivative financial assets (continued)

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance for account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Employee benefits

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.

Unconsumed leave

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

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.

3.8 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 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.

3.9 Revenue

Revenue from the manufacture and sale of precision tools and components is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract sale. Revenue excludes goods and services tax or other sales taxes and is stated after deduction of any trade discounts.

3.10 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.11 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.

3.12 Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Assets held for sale

Assets (or disposal groups comprising liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment properties, which continue to be measured under different rules in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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 Group 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.

3.16 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 New standards and interpretations not yet adopted

A number of new standards amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements.

Except as otherwise indicated below, those new standards, amendments to standards, and 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.

- FRS 115 *Revenue from Contracts with Customers*
  FRS 115 *Revenue from Contracts with Customers* will replace FRS 18 *Revenue*, FRS 11 *Construction Contracts* and related interpretations. The standard establishes the principle for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements. The Group is currently assessing the impact upon adoption of this standard in the financial year ending 30 June 2018.

- FRS 109 *Financial Instruments*
  FRS 109 will replace most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It will change the existing accounting standards and guidance applied by the Group in accounting for financial instruments. The Group is currently assessing the impact upon adoption of this standard in the financial year ending 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties $	Plant and equipment $	Assets under construction $	Furniture, fittings and office equipment $	Motor vehicles $	Total $
Cost						
At 1 July 2013	12,723,059	34,358,891	382,619	6,535,264	811,570	54,811,403
Additions	245,464	2,194,182	3,345,367	780,185	–	6,565,198
Disposals	(418)	(805,812)	–	(187,273)	(53,030)	(1,046,533)
Translation differences on consolidation	(110,406)	(449,227)	–	(98,003)	(5,603)	(663,239)
Reclassification	–	382,619	(382,619)	–	–	–
Reclassification to assets held for sale	–	(336,448)	–	–	–	(336,448)
At 30 June 2014	12,857,699	35,344,205	3,345,367	7,030,173	752,937	59,330,381
At 1 July 2014	12,857,699	35,344,205	3,345,367	7,030,173	752,937	59,330,381
Additions	253,895	3,468,888	305,512	312,683	575,373	4,916,351
Disposals	(221,781)	(1,646,754)	–	(566,783)	(587,880)	(3,023,198)
Translation differences on consolidation	(210,516)	375,812	–	(79,070)	10,753	96,979
Reclassification	–	3,345,367	(3,345,367)	–	–	–
At 30 June 2015	12,679,297	40,887,518	305,512	6,697,003	751,183	61,320,513
Accumulated depreciation and impairment loss						
At 1 July 2013	4,871,230	19,293,865	–	5,088,219	514,237	29,767,551
Charge for the year	389,937	3,059,776	–	751,932	131,162	4,332,807
Disposals	(418)	(674,643)	–	(185,172)	(49,958)	(910,191)
Translation differences on consolidation	(48,263)	(267,880)	–	(81,853)	(4,644)	(402,640)
Reclassification to assets held for sale	–	(281,154)	–	–	–	(281,154)
Impairment loss	–	191,115	–	–	–	191,115
At 30 June 2014	5,212,486	21,321,079	–	5,573,126	590,797	32,697,488
At 1 July 2014	5,212,486	21,321,079	–	5,573,126	590,797	32,697,488
Charge for the year	465,317	3,528,411	–	554,843	123,022	4,671,593
Disposals	(195,567)	(1,208,393)	–	(515,801)	(544,091)	(2,463,852)
Translation differences on consolidation	(45,464)	(109,241)	–	(86,625)	10,840	(230,490)
At 30 June 2015	5,436,772	23,531,856	–	5,525,543	180,568	34,674,739
Carrying amounts						
At 1 July 2013	7,851,829	15,065,026	382,619	1,447,045	297,333	25,043,852
At 30 June 2014	7,645,213	14,023,126	3,345,367	1,457,047	162,140	26,632,893
At 30 June 2015	7,242,525	17,355,662	305,512	1,171,460	570,615	26,645,774

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction

In 2014, the Group acquired and commenced testing phases on plant and equipment of costs capitalised up to the reporting date totalling $3,345,367.

In 2015, the Group acquired and commenced testing phases on computer software of costs capitalised up to the reporting date totalling $305,512.

Estimation of useful lives of property, plant and equipment

The Group reviews the useful lives of property, plant and equipment at each balance sheet 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 2015 was $26,645,774 (2014: $26,632,893) and the annual depreciation charge for the year ended 30 June 2015 was $4,671,593 (2014: $4,332,807). 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 $537,208 (2014: $514,802) or increase by $721,795 (2014: $699,466) respectively.

Estimation of valuation of property, plant and equipment

The Group carried out a review of the recoverable amounts of its property, plant and equipment in view of the continuing losses in one of the subsidiaries. The recoverable amount of the assets was estimated based on its fair value less costs to sell.

In 2014, based on the assessment, the recoverable amount of one specific asset was determined to be lower than its carrying amount, and the Group recognised an impairment loss of $191,115. The fair value of the asset was determined using a quotation from a third party vendor. The impairment loss was recorded in cost of sales on the consolidated statement of comprehensive income.

In 2015, based on the assessment, there were no further recognition or reversal of impairment loss.

5 SUBSIDIARIES

The investments in subsidiaries in the Company's statement of financial position are stated at cost. 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	
			2015	2014	2015	2014
			%	%	$	$
Micro-Mechanics Pte Ltd[1]	Manufacturing of precision tools	Singapore	100	100	5,463,500	5,463,500
Micro-Mechanics Technology Sdn Bhd[2]	Manufacturing of precision tools	Malaysia	100	100	856,875	856,875
Micro-Mechanics (Thailand) Limited[3]	Manufacturing of precision tools	Thailand	100	100	1,050,207	1,050,207

5 SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Place of incorporation and business	Percentage of equity held by the Group		Cost	
			2015	2014	2015	2014
			%	%	$	$
Micro-Mechanics Technology International, Inc[2]	Manufacturing of precision tools	The Philippines	100	100	347,200	347,200
Micro-Mechanics Technology (Suzhou) Co. Ltd[2]	Manufacturing of precision tools	People's Republic of China	100	100	2,544,407	2,544,407
Micro-Mechanics Inc[4]	Manufacturing of precision components & modules & sale of precision tools	United States of America	100	100	8,048,654	7,561,544
					18,310,843	17,823,733

1 Audited by KPMG LLP Singapore.

2 Audited by other member firms of KPMG International.

3 Audited by Prangporn Accounting Office.

4 Audited by Fiondella, Milone & LaSaracina LLP.

Valuation of investments in subsidiaries

	2015	2014
	$	$
Investments in subsidiaries, at cost	18,310,843	17,823,733
Impairment losses	(455,027)	(169,355)
	17,855,816	17,654,378

The valuation of the investments in subsidiaries requires the Group to estimate the future recoverable amount of the investments in subsidiaries. A considerable amount of judgement and management estimation is required in assessing the recoverable amount.

The Company carried out a review of the recoverable amount of one of its investment in subsidiaries, Micro-Mechanics (Thailand) Limited, in view of the approved plan to cease operations. The recoverable amount was determined based on fair value less costs to sell, and an impairment loss of $285,672 (2014: $169,355) was recognised in the profit or loss during the year. The fair value was determined based on the estimated realisable value of the net assets of the subsidiary. The subsidiary has ceased operations during the year and is currently in the process of liquidation.

6 INVENTORIES

	Group	
	2015	2014
	$	$
Raw materials	1,268,155	941,701
Work-in-progress	552,510	708,286
Finished goods	1,683,666	1,439,453
	3,504,331	3,089,440

In 2015, raw materials and changes in finished goods and work-in-progress recognised in cost of sales amounted to $23,510,279 (2014: $21,620,580).

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	
	2015	2014	2015	2014
	$	$	$	$
Trade receivables	9,241,280	8,039,911	–	–
Other receivables	211,295	540,913	85	–
Deposits	298,125	292,870	500	–
Amount owing by subsidiaries (non-trade)	–	–	11,531,491	8,994,800
Loans and receivables	9,750,700	8,873,694	11,532,076	8,994,800
Advances to suppliers	277,087	535,404	–	1,028
Prepayments	418,600	598,771	12,848	9,500
Forward exchange contracts	–	68,736	–	29,700
Trade and other receivables	10,446,387	10,076,605	11,544,924	9,035,028
Non-current	273,017	524,456	4,696,028	4,265,364
Current	10,173,370	9,552,149	6,848,896	4,769,664
	10,446,387	10,076,605	11,544,924	9,035,028

The non-current trade and other receivables of $273,017 (2014: $524,456) was due to advance payment made to suppliers to purchase plant and equipment.

7 TRADE AND OTHER RECEIVABLES (continued)

The non-current non-trade amount due from subsidiary amounting to $4,696,028 (2014: $4,265,364) bears interest at per annum rates of 1.15% to 1.19% (2014: 1.15% to 1.19%) and is 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 per annum interest rate of 5.50% (2014: 5.50%). This amount will mature in June 2017.

Valuation of trade receivables

The policy for impairment assessment of trade receivables of the Group is based on evaluation of aging analysis of trade receivables and estimation of the collectability of trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, an allowance for doubtful receivables may be required.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of customer is:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Distributors	153,613	232,992	–	–
Direct customers	9,087,667	7,806,918	–	–
Subsidiaries	–	–	11,531,491	8,994,800
Others	509,420	833,784	585	–
	9,750,700	8,873,694	11,532,076	8,994,800

The maximum exposure to credit risk for loans and receivables at the reporting date by geographical location is:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Singapore	741,079	577,000	5,124,896	4,599,999
Malaysia	2,286,948	2,100,805	–	–
Philippines	768,666	665,773	1,705,898	129,437
Thailand	110,403	376,989	–	–
USA	912,418	753,026	4,701,282	4,265,364
Europe	329,286	236,847	–	–
China	3,216,486	2,644,496	–	–
Japan	119,671	165,663	–	–
Taiwan	984,731	896,748	–	–
Others	281,012	456,347	–	–
	9,750,700	8,873,694	11,532,076	8,994,800

NOTES TO THE FINANCIAL STATEMENTS

7 TRADE AND OTHER RECEIVABLES (continued)

Valuation of trade receivables (continued)

The aging of loans and receivables – current (excluding deposits) at the reporting date is:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Current	6,449,945	6,146,192	4,611,022	3,000,000
Past due 0 – 30 days	2,187,725	1,927,261	–	–
Past due 31 – 60 days	681,491	428,128	–	–
Past due 61 – 90 days	133,414	79,243	2,224,526	1,729,436
	9,452,575	8,580,824	6,835,548	4,729,436

During the year, the Group believes that impairment allowance amounting to $3,514,784 (2014: $Nil) is necessary in respect of non-trade amount owing from a subsidiary.

Impairment

The movement in the allowance for impairment in respect of loans and receivables – non-current (excluding deposits) during the year was as follows:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
At 1 July	–	–	–	–
Impairment loss recognised	–	–	3,514,784	–
At 30 June	–	–	3,514,784	–

8 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Cash at banks and on hand	7,518,136	3,958,875	411,980	694,745
Fixed deposits	7,643,149	7,123,120	2,000,000	3,400,000
	15,161,285	11,081,995	2,411,980	4,094,745
Deposits pledged	(178,174)	(202,863)	–	–
Cash and cash equivalents in the statement of cash flows	14,983,111	10,879,132	2,411,980	4,094,745

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

NOTES TO THE FINANCIAL STATEMENTS

9 ASSETS HELD FOR SALE

In 2014, certain identifiable fixed assets were presented as assets held for sale following the decision of the Group's management during the year to sell these assets.

Subsequently, these assets were sold at the carrying amount in 2015.

Details of the disposal group classified as held for sale are as follows:

	Note	2015 $	2014 $
Assets classified as held for sale			
Property, plant and equipment	4	–	55,294

10 SHARE CAPITAL

	Group and Company			
	2015		2014	
	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.

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

10 SHARE CAPITAL (continued)
For the year ended 30 June

	Group and Company 2015 $	Group and Company 2014 $
Final tax-exempt dividend paid of 2.0 cents (2014: 2.0 cents) per share in respect of previous financial year	2,780,638	2,780,637
Interim tax-exempt dividend paid of 2.0 cents (2014: 1.0 cent) per share in respect of current financial year	2,780,638	1,390,319
	5,561,276	4,170,956

After the respective reporting dates, 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 2015 $	Group and Company 2014 $
Final proposed tax-exempt dividend of 3.0 cents (2014: 2.0 cents) per share	4,170,957	2,780,638

11 RESERVES

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
Accumulated profits	35,462,869	29,002,896	16,639,957	15,728,174
Foreign currency translation reserve	(3,359,883)	(2,673,143)	–	–
	32,102,986	26,329,753	16,639,957	15,728,174

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

12 DEFERRED TAX LIABILITIES

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

	At 1 July 2013 $	Recognised in profit or loss (note 16) $	Exchange differences $	At 30 June 2014 $	Recognised in profit or loss (note 16) $	Exchange differences $	At 30 June 2015 $
Group							
Deferred tax liabilities							
Property, plant and equipment	1,439,255	(21,604)	(16,606)	1,401,045	129,957	(47,400)	1,483,602
Deferred tax assets							
Others	(99,717)	(19,251)	1,490	(117,478)	(29,385)	7,740	(139,123)

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	
	2015 $	2014 $
Net deferred tax liabilities	1,344,479	1,283,567

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
Trade payables	806,707	1,015,210	–	–
Other payables	842,054	2,965,417	22,280	22,755
Accrued expenses	4,226,990	2,898,055	262,783	243,767
Advances from customers	53,200	417,947	–	–
Forward exchange contracts	167,858	130	100,400	–
	6,096,809	7,296,759	385,463	266,522

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER PAYABLES (continued)

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

	Carrying amount $	Contractual cash flows $	Within 1 year $
Group			
2015			
Non-derivative financial liabilities			
Trade and other payables*	5,875,751	(5,875,751)	(5,875,751)
Derivative financial instruments			
• Forward exchange contracts – liability	167,858		
– Gross payments		(211,358)	(211,358)
– Gross receipts		43,500	43,500
		(167,858)	(167,858)
2014			
Non-derivative financial liabilities			
Trade and other payables*	6,878,682	(6,878,682)	(6,878,682)
Derivative financial instruments			
• Forward exchange contracts – liability	130		
– Gross payments		(74,910)	(74,910)
– Gross receipts		74,780	74,780
		(130)	(130)
• Forward exchange contracts – asset	(68,736)		
– Gross payments		(6,420)	(6,420)
– Gross receipts		75,156	75,156
		68,736	68,736

* Excluding advances from customers and forward exchanges contracts

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER PAYABLES (continued)

	Carrying amount $	Contractual cash flows $	Within 1 year $
Company			
2015			
Non-derivative financial liabilities			
Trade and other payables*	285,063	(285,063)	(285,063)
Derivative financial instruments			
• Forward exchange contracts – liability	100,400		
– Gross payments		(138,120)	(138,120)
– Gross receipts		37,720	37,720
		(100,400)	(100,400)
2014			
Non-derivative financial liabilities			
Trade and other payables	266,522	(266,522)	(266,522)
Derivative financial instruments			
• Forward exchange contracts – asset	(29,700)		
– Gross payments		(150)	(150)
– Gross receipts		29,850	29,850
		29,700	29,700

* Excluding forward exchange contracts

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.

14 REVENUE

Revenue of the Group represents the value of goods invoiced to third parties.

15 PROFIT BEFORE INCOME TAX

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

	Group 2015 $	Group 2014 $
Other income:		
– Exchange gain (net)	419,569	73,628
– Interest income	150,563	113,106
– Gain on disposal of property, plant and equipment	265,587	41,761
– Gain on disposal of assets held for sale	257,292	279,656
– Government grants – Skills Redevelopment and Capability Development Scheme	110,079	219,811
– Others	253,888	280,380
	1,456,978	1,008,342
Staff costs:		
– Wages and salaries	17,013,694	15,463,689
– Contribution to defined contribution plans	1,457,722	1,351,775
– Increase/(decrease) in liability for unconsumed leave	19,693	(12,490)
	18,491,109	16,802,974
Audit fees:		
– auditors of the Company	113,650	118,010
– other member firms of the auditors of the Company	39,075	39,246
– other auditors	54,228	55,287
Non-audit fees:		
– auditors of the Company	24,400	28,600
– other member firms of the auditors of the Company	3,258	3,332
– other auditors	10,517	10,459
Depreciation of property, plant and equipment	4,671,593	4,332,807
Directors' remuneration:		
– directors of the Company	2,168,475	1,616,511
– other directors	291,279	263,861
Trade receivables written off	1,165	7,777
Inventories written off	103,612	98,086
Operating lease expenses	1,201,255	1,219,413
Property, plant and equipment written off	69,548	15,730
Impairment loss on property, plant and equipment	–	191,115

NOTES TO THE FINANCIAL STATEMENTS

16 INCOME TAX EXPENSE

	Group	
	2015	2014
	$	$
Tax charge		
Current year	3,888,780	2,286,461
Overprovision in prior years	(622,694)	(240,745)
	3,266,086	2,045,716
Deferred tax		
Origination and reversal of temporary differences	94,500	(47,828)
Under provision in prior years	6,072	6,973
	100,572	(40,855)
Total income tax expenses	3,366,658	2,004,861
Reconciliation of effective tax rate		
Profit before income tax	15,387,907	9,745,107
Income tax calculated using the statutory tax rate of 17%	2,615,944	1,656,668
Non-deductible expenses	433,368	186,536
Income not subjected to tax	(32,028)	(25,925)
Deferred tax assets not recognised	287,327	25,094
Effect of wear and tear allowances utilised	(235,749)	(7,827)
Effect of tax incentives granted	(473,242)	(218,145)
Effect of tax rate in foreign jurisdictions	505,287	256,044
Withholding tax paid in foreign jurisdictions	832,744	341,606
Over provision in prior years	(616,622)	(233,772)
Others	49,629	24,582
	3,366,658	2,004,861

During the year, Micro-Mechanics Inc. had a loss before tax of US$799,459 (2014: US$117,137). The tax losses are subject to agreement with the tax authorities and compliance with tax regulations in the jurisdiction in which the subsidiary operates. Cumulative deferred tax assets with respect to taxable losses of US$6,638,564 (2014: US$6,326,051) have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

17 EARNINGS PER SHARE

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

	Group	
	2015	2014
	$	$
Net profit for the year	12,021,249	7,740,246
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	
	2015	2014
	$	$
Short-term benefits of key management personnel	2,898,984	2,045,629
Post employment benefits	82,368	69,664

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.

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL RISK MANAGEMENT (continued)

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.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's 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. At the reporting date, there is no significant concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit evaluations are performed on all customers requiring credit over a certain amount. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, whether they are wholesale, retail or end-user customer, aging profile, maturity and existence of previous financial difficulties. The Group does not require collateral in respect of financial assets.

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 cash and cash equivalents, trade receivables and payables, although it has exposures in other foreign currencies and in other 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 2015, the Group had outstanding foreign exchange contracts with notional amounts of approximately $18,135,295 (2014: $10,076,696) to manage exposure to foreign currency fluctuation.

NOTES TO THE FINANCIAL STATEMENTS

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			
2015			
Trade and other receivables	17,075,150	169,482	1,705,898
Cash and cash equivalents	1,987,052	41,320	–
Trade and other payables	(520,564)	(103,015)	–
	18,541,638	107,787	1,705,898
2014			
Trade and other receivables	12,400,622	166,279	129,437
Cash and cash equivalents	634,759	81,115	–
Trade and other payables	(490,345)	(42,842)	–
	12,545,036	204,552	129,437

	US Dollar $	Philippines Peso $
Company		
2015		
Trade and other receivables	8,216,066	1,705,898
Cash and cash equivalents	342,832	–
Trade and other payables	(101,976)	–
	8,456,922	1,705,898
2014		
Trade and other receivables	4,861,323	129,437
Cash and cash equivalents	172,275	–
Trade and other payables	(1,247)	–
	5,032,351	129,437

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 decrease profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group	
	2015	**2014**
	$	**$**
US Dollar	1,854,164	1,254,504
Japanese Yen	10,779	20,455
Philippines Peso	170,590	12,944

	Company	
	2015	**2014**
	$	**$**
US Dollar	845,692	503,235
Philippines Peso	170,590	12,944

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

The Group's exposure to changes in interest rates relates primarily to its interest-earning financial assets. A 100 basis point increase/decrease in the interest rates on the Group's interest-earning financial assets would result in an approximate $76,431 (2014: $71,231) change in profit or loss. A 100 basis point increase/decrease in the interest rates on the Company's interest-earning financial assets would result in an approximate $102,108 (2014: $76,654) change in profit or loss.

In respect of interest-earning financial assets of the Group and Company, the following table indicates their effective interest rates at reporting date and the periods in which they reprice or mature:

	Effective interest rate	Total	Less than 1 year	1 to 5 years
	%	$	$	$
Group				
2015				
Financial assets				
Fixed deposits	1.9%	7,643,149	7,464,974	178,175
2014				
Financial assets				
Fixed deposits	1.5%	7,123,120	7,123,120	–

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL RISK MANAGEMENT (continued)
Market risk (continued)
Interest rate risk (continued)

	Effective interest rate %	Total $	Less than 1 year $	1 to 5 years $
Company				
2015				
Financial assets				
Fixed deposits	0.3%	2,000,000	2,000,000	–
Amount owing by subsidiaries (non-trade)	1.15% to 1.19%	8,210,812	–	8,210,812
2014				
Financial assets				
Fixed deposits	0.2%	3,400,000	3,400,000	–
Amount owing by subsidiaries (non-trade)	1.15% to 1.19%	4,265,364	–	4,265,364

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	Loans and receivables $	Designated at fair value $	Other financial liabilities $	Total carrying amount $	Fair value $
Group						
2015						
Trade and other receivables*	7	9,750,700	–	–	9,750,700	
Cash and cash equivalents	8	15,161,285	–	–	15,161,285	
		24,911,985	–	–	24,911,985	
Trade and other payables**	13	–	–	(5,875,751)	(5,875,751)	
Forward exchange contracts	13	–	(167,858)	–	(167,858)	(167,858)
		–	(167,858)	(5,875,751)	(6,043,609)	
2014						
Trade and other receivables*	7	8,873,694	–	–	8,873,694	
Cash and cash equivalents	8	11,081,995	–	–	11,081,995	
Forward exchange contracts	7	–	68,736	–	68,736	68,736
		19,955,689	68,736	–	20,024,425	
Trade and other payables**	13	–	–	(6,878,682)	(6,878,682)	
Forward exchange contracts	13	–	(130)	–	(130)	(130)
		–	(130)	(6,878,682)	(6,878,812)	

NOTES TO THE FINANCIAL STATEMENTS

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

	Note	Loans and receivables $	Designated at fair value $	Other financial liabilities $	Total carrying amount $	Fair value $
Company						
2015						
Trade and other receivables*						
– current	7	6,836,048	–	–	6,836,048	
– non-current	7	4,696,028	–	–	4,696,028	5,545,425
Cash and cash equivalents	8	2,411,980	–	–	2,411,980	
		13,944,056	–	–	13,944,056	
Trade and other payables**	13	–	–	(285,063)	(285,063)	
Forward exchange contracts	13	–	(100,400)	–	(100,400)	(100,400)
		–	(100,400)	(285,063)	(385,463)	
2014						
Trade and other receivables*						
– current	7	4,729,436	–	–	4,729,436	
– non-current	7	4,265,364	–	–	4,265,364	4,831,623
Cash and cash equivalents	8	4,094,745	–	–	4,094,745	
Forward exchange contracts	7	–	29,700	–	29,700	29,700
		13,089,545	29,700	–	13,119,245	
Trade and other payables**	13	–		(266,522)	(266,522)	

* Excluding advances to suppliers, prepayments and forward exchange contracts.

** Excluding advances from customers and forward exchange contracts.

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 2015	Company 2014
Trade and other receivables	5.50%	5.50%

19 FINANCIAL RISK MANAGEMENT (continued)
Market risk (continued)
Fair value hierarchy

The table below analyses fair value measurements for financial assets and financial liabilities, the levels of fair value hierarchy based on the inputs to valuation techniques. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2 $	Total $
Group		
2015		
Forward exchange contracts – liability	(167,858)	(167,858)
2014		
Forward exchange contracts – asset	68,736	68,736
Forward exchange contracts – liability	(130)	(130)
	68,606	68,606
Company		
2015		
Trade and other receivables – non-current	5,545,425	5,545,425
Forward exchange contracts – liability	(100,400)	(100,400)
	5,445,025	5,445,025
2014		
Trade and other receivables – non-current	4,831,623	4,831,623
Forward exchange contracts – liability	29,700	29,700
	4,861,323	4,861,323

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL RISK MANAGEMENT (continued)
Market risk (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

20 COMMITMENTS

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

	Group 2015 $	Group 2014 $
Capital commitments:		
– contracted but not provided for	903,223	2,050,436
– authorised but not contracted for	223,720	–
	1,126,943	2,050,436
Non-cancellable operating lease commitments:		
– payable within one year	1,302,776	1,277,451
– payable after one year but within five years	1,111,838	966,379
	2,414,614	2,243,830

21 SEGMENT REPORTING

The Group has six 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
- Philippines: Includes manufacturing and distributing of precision tools
- Thailand: 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

NOTES TO THE FINANCIAL STATEMENTS

21 SEGMENT REPORTING (continued)

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.

Operating Segments
2015

	Singapore $	Malaysia $	The Philippines $	Thailand $	USA $	China $	Elimination $	Consolidated $
Total revenue from external customers	13,353,439	11,757,326	4,621,355	309,154	9,093,624	13,062,148	–	52,197,046
Inter-segment revenue	6,005,947	1,399,997	506,301	25,279	52,308	–	(7,989,832)	–
Total revenue	19,359,386	13,157,323	5,127,656	334,433	9,145,932	13,062,148	(7,989,832)	52,197,046
Segment results	6,221,582	5,401,192	2,162,853	(319,541)	(1,051,008)	4,021,443	(784,452)	15,652,069
Unallocated expenses								(264,162)
Profit from operations								15,387,907
Income tax expense								(3,366,658)
Net profit for the year								12,021,249
Segment assets	22,374,284	12,922,155	2,888,332	607,977	11,963,630	9,054,542	(6,478,556)	53,332,364
Unallocated assets:								
Others								2,425,413
Total assets								55,757,777
Segment liabilities	7,549,638	879,748	2,526,223	12,797	6,854,960	1,165,562	(13,527,581)	5,461,347
Unallocated liabilities:								
Tax								2,775,051
Others								635,462
Total liabilities								8,871,860
Other segment information								
Capital expenditure	1,929,480	253,864	624,210	–	1,994,579	114,218	–	4,916,351
Depreciation	1,347,512	944,811	366,832	45,189	1,276,679	690,570	–	4,671,593
Non-current assets	10,009,189	4,785,073	1,462,994	–	8,731,356	1,937,419	(7,240)	26,918,791

Major customers

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

	Singapore $	Malaysia $	Philippines $	Thailand $	USA $	China $	Total $
2015							
Revenue	971,954	3,718,959	2,594,458	131,286	4,639,310	2,940,554	14,996,521
Number of customers	1	3	3	3	2	1	13

NOTES TO THE FINANCIAL STATEMENTS

21 SEGMENT REPORTING (continued)

Operating Segments (continued)

2014

	Singapore $	Malaysia $	The Philippines $	Thailand $	USA $	China $	Elimination $	Consolidated $
Total revenue from external customers	10,513,678	9,918,406	4,018,312	1,937,111	8,192,585	9,276,571	–	43,856,663
Inter-segment revenue	4,685,153	1,193,700	366,959	120,583	37,261	2,605	(6,406,261)	–
Total revenue	15,198,831	11,112,106	4,385,271	2,057,694	8,229,846	9,279,176	(6,406,261)	43,856,663
Segment results	2,679,371	3,457,278	1,816,611	305,850	(340,512)	2,253,863	199,633	10,372,094
Unallocated expenses								(626,987)
Profit from operations								9,745,107
Income tax expense								(2,004,861)
Net profit for the year								7,740,246
Segment assets	19,407,846	13,088,801	2,728,865	1,044,813	9,892,406	6,621,572	(5,983,048)	46,801,255
Unallocated assets:								
Others								4,134,972
Total assets								50,936,227
Segment liabilities	6,924,162	1,106,318	569,004	119,405	7,734,938	998,810	(10,422,400)	7,030,237
Unallocated liabilities:								
Tax								2,526,784
Others								266,522
Total liabilities								9,823,543
Other segment information								
Capital expenditure	1,069,846	803,672	437,348	87,255	3,687,777	479,300	–	6,565,198
Depreciation	1,369,622	1,049,360	275,793	143,103	856,028	638,901	–	4,332,807
Impairment loss	–	–	–	–	191,115	–	–	191,115
Non-current assets	9,989,287	6,017,932	1,132,314	272,143	7,408,057	2,344,856	(7,240)	27,157,349

Major customers

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

	Singapore $	Malaysia $	The Philippines $	Thailand $	USA $	China $	Total $
2014							
Revenue	936,656	2,710,372	2,517,566	815,392	4,469,597	1,118,345	12,567,928
Number of customers	1	2	4	3	2	1	13

SHAREHOLDERS' STATISTICS

As at 1 September 2015

SHARE CAPITAL

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

Based on the information available to the Company as at 1 September 2015, the percentage of shareholding held in the hands of the public is approximately 38.83% 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.

SUBSTANTIAL SHAREHOLDERS AS AT 1 SEPTEMBER 2015

	Name	Direct Interest No.of Shares	%	Deemed Interest No. of Shares	%
1	Christopher Reid Borch*	35,474,913	25.52%	37,835,256	27.21%
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 ***	824,500	0.59%	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%

*   ***Deemed to be interested in 37,760,256 shares held by Sarcadia LLC and 75,000 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 1 September 2015

ANALYSIS OF SHAREHOLDERS BY RANGE AS AT 1 SEPTEMBER 2015

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of share capital
1 – 99	12	1.73	347	0.00
100 – 1,000	167	24.06	137,840	0.10
1,001 – 10,000	226	32.57	1,048,118	0.75
10,001 – 1,000,000	275	39.62	24,776,158	17.82
1,000,001 and above	14	2.02	113,069,418	81.33
Total	694	100.00	139,031,881	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 1 SEPTEMBER 2015

	Name	No. of Shares	% of Issued share capital
1	Sarcardia LLC	37,760,256	27.16
2	Christopher Reid Borch	35,474,913	25.52
3	Citibank Nominees Singapore Pte Ltd	12,211,000	8.78
4	Low Ming Wah	7,126,001	5.13
5	Raffles Nominees (Pte) Ltd	3,123,600	2.25
6	Chow Kam Wing	2,811,000	2.02
7	UOB Kay Hian Pte Ltd	2,559,550	1.84
8	Bank of Singapore Nominees Pte Ltd	2,389,500	1.72
9	Lam Yen Yong	2,191,000	1.58
10	DBS Nominees Pte Ltd	2,179,700	1.57
11	Tan Eng Yam @ Tan Eng Ann	1,715,700	1.23
12	OCBC Securities Private Ltd	1,346,698	0.97
13	Tan Eng Yam Holdings Pte Ltd	1,180,000	0.85
14	Karl Zurfluh	1,000,500	0.72
15	Lim Yong Wah	981,500	0.70
16	Yeap Lam Yang	960,000	0.69
17	Yeo Seng Chong	950,500	0.68
18	Chen Wei Ching	860,000	0.62
19	Frederic Louis Borch	824,500	0.59
20	Chew Kwai Yoke	743,000	0.53
Total		118,388,918	85.15

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at Central Public Library, Level 5, Possibility Room, 100 Victoria Street, Singapore 188064 on Wednesday, 28 October 2015 at 2.00 p.m. to transact the following business:–

Ordinary Business

1 To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2015 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a final dividend of two 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 2015. **[Resolution 2]**

3 To re-elect Ms Sumitri Mirnalini Menon @ Rabia, who retires by rotation pursuant to Article 91 of the Company's Articles of Association, as Director of the Company. **[Resolution 3]**
[See Explanatory Note (a)]

4 To re-elect Mr Chow Kam Wing, who retires by rotation pursuant to Article 91 of the Company's Articles of Association, as Director of the Company. **[Resolution 4]**
[See Explanatory Note (a)]

5 To approve the payment of Directors' Fees of S$224,033 for the financial year ended 30 June 2015 (2014: S$211,367) **[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 Resolutions, 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 Articles of Association 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 Articles of Association 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.
[See Explanatory Note (b)] **[Resolution 7]**

9 **Authority to allot and issue shares under Micro-Mechanics Performance Share Plan**

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.
[See Explanatory Note (c)] **[Resolution 8]**

By Order of the Board

Chow Kam Wing
Company Secretary
29 September 2015
Singapore

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

Explanatory Notes:

(a) For ordinary resolutions 3 and 4 under items 3 and 4 above, detailed information on the two Directors can be found under "Board of Directors", "Corporate Information" and "Corporate Governance" in the Company's Annual Report FY2015. 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.

Ms Sumitri Mirnalini Menon @ Rabia, if re-elected as Director of the Company, will remain as the non-executive Chairman of the Board, Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee and Risk Management Committee and will be considered as an independent director.

(b) The ordinary resolution 7 set out in item 8 above, 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, if any, in the capital of the Company, with a sub-limit of 10% for issues other than on a pro- rata basis.

(c) The ordinary resolution 8 under item 9 above, if passed, will empower the Directors of the Company to allot and issue Shares in the capital of the Company pursuant to the vesting of Awards under the Micro-Mechanics Performance Share Plan, provided that the aggregate number of Shares to be issued under the Micro-Mechanics Performance Share Plan of the Company does not exceed 5% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, at any time.

Notes:

The Chairman of the Annual General Meeting will be exercising her right under Article 61 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Annual General Meeting will be voted on by way of a poll.

A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 31 Kaki Bukit Place, Eunos Techpark, Singapore 416209 not less than 48 hours before the time appointed for the holding of the 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 6 November 2015 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 5 November 2015 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 5 November 2015 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Nineteenth Annual General Meeting to be held on 28 October 2015, will be paid on 18 November 2015.

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

IMPORTANT FOR CPF INVESTORS ONLY:

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF Investors and shall not be effective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Micro-Mechanics (Holdings) Ltd.

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 and to vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at Central Public Library, Level 5, Possibility Room, 100 Victoria Street, Singapore 188064 on **Wednesday, 28 October 2015 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.

NOTE: The Chairman of the AGM will be exercising her right under Article 61 of the Articles of Association of the Company to demand a poll in respect of the Resolutions to be put to the vote of members at the AGM and at any adjournment thereof. Accordingly, each Resolution at the AGM will be voted on by way of a poll.

No.	Resolutions Relating To:	No. of Votes For*	No. of Votes Against*
ORDINARY BUSINESS			
1	Directors' Report and Audited Financial Statements for the financial year ended 30 June 2015		
2	Payment of final and special dividends		
3	Re-election of Ms Sumitri Mirnalini Menon @ Rabia as director		
4	Re-election of Mr Chow Kam Wing 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		
8	Authority to allot and issue shares under Micro-Mechanics Performance Share Plan		

* 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 ___________________ 2015

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 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. 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 48 hours before the time appointed for the holding of the AGM.

4 Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

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 48 hours before the time of the AGM, as certified by The Central Depository (Pte) Limited to the Company.

(1) Fold along this line

Affix
Postage
Stamp

Micro-Mechanics (Holdings) Ltd.
No. 31 Kaki Bukit Place
Eunos Techpark
Singapore 416209

Attn: Company Secretary

(2) Fold along this line

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CORPORATE DIRECTORY

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