

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

Minutes of the Nineteenth Annual General Meeting of the Company held at Central Public Library, Level 5, Possibility Room, 100 Victoria Street, Singapore 188064 on Wednesday, 28 October 2015 at 2.00 p.m.

OPENING & PRESENTATION

The Chairman, Ms Sumitri Menon chaired the Annual General Meeting (“AGM”) and as a quorum was present, the meeting was called to order. Ms Menon welcomed all who attended the AGM.

After the directors briefly introduced themselves to the shareholders, the Chairman invited the Chief Executive Officer, Mr Christopher Borch (“CEO”) to present his report on the full year results of the Group.

The CEO welcomed all to the AGM and expressed his appreciation to his management and staff, in particular, Mr Chow Kam Wing (Chief Financial Officer “CFO”) and Ms Wendy Tan (Group Financial Controller) and the Company’s investor relations consultant, Octant Consulting, for their diligence and efforts in the preparation and publication of the annual report, thus ensuring the key goal of providing complete and timely information to shareholders. He also thanked the directors for spending many hours in editing and providing their suggestions for a comprehensive annual report aligned with SGX regulations and guidelines.

The CEO together with the Chief Operating Officer, Mr Low Ming Wah (“COO”) and CFO presented slides on the financial performance of the Group for FY2015 which covered a “Corporate Review”, “Financial Review” and “Key Takeaways”. These presentation slides are available together with the announcement made by the Company after the AGM. The CEO also informed the shareholders that the Company had announced the Group’s financial results for the first quarter ended 30 September 2015 (“1Q16”) via the SGX website earlier that day.

The COO was pleased to report that the Group achieved a record net profit of S\$12 million for FY2015. He added that the Group also performed well in 1Q16 with a higher net profit of approximately S\$3.6 million compared to 1Q15. The CEO added that with tight control of expenses and focus on operational efficiency, the Group improved its bottom line and generated a healthy operating cash flow to end the financial quarter with about S\$18 million in cash and no borrowings.

The CFO noted that in response to feedback from shareholders, the Group had recently adopted a dividend policy effective from FY2016, being that annual dividends (including interim dividends) would be not less than 40% of consolidated net profit. He observed that since listing, the Company had paid dividends every year and the total of such dividends paid amounted to a return of more than 200% of the share price upon the Company’s Initial Public Offer in 2003.

The CFO was also pleased to report that in the latest Governance Transparency Index (“GTI”) 2015 report, the Company was ranked 18th out of 639 companies listed on the SGX with a GTI score of 87 points, compared to its 22nd position in 2014. In addition, the Company received two Silver awards for “Best Investor Relations” and “Best Managed Board” at the Singapore Corporate Awards 2015, as well as the “Most Transparent Company (Mainboard Small Caps)” award from Securities Investors Association Singapore last week.

The CEO and COO also presented slides on “Micro Tools for Semiconductors” and “Custom Machining and Assembly” which covered the Group’s two main business segments, i.e., semiconductor tooling business and Custom Machining & Assembly (“CMA”) business.

With respect to the semiconductor tooling business, the COO noted that the Group has a global presence with four manufacturing facilities in Asia, ie. Singapore, Malaysia, China and Philippines, and sales presence in other parts of Asia, Europe and the USA. The four factories located in Asia support their local markets in terms of sales, design, manufacturing and after sales, for customers involved in the back-end semiconductor assembly and test business. He highlighted that the main challenge for this business segment was cycle time. Having a local presence in these markets enables the Group to provide fast and effective response to support customers’ needs. In addition, the Group has to-date invested about S\$1.5 million to set up a Material Development Center in Singapore. This has strengthened its research and development (“R&D”) capabilities to develop customised tooling utilising new materials that cater to customers’ needs.

With respect to the CMA business segment located in the USA, the CEO reported that the Company currently serves about 10 key customers in four main industries, i.e. medical, semiconductor, laser and aerospace. He highlighted that to grow the CMA business and meet the needs of its customers, the Group had made substantial investments in state-of-art equipment to build a *24/7 machining* facility at the USA factory.

The CFO added that the Group had invested approximately S\$3 million over the last 5 years to improve and develop its product, process and information technology (“IT”). The new ERP system has significantly accelerated the Group’s business processes and allowed it to perform cross functional activities on a real-time basis. In addition, a new department called Application, Process and Engineering (“APE”) was set up and led by the CFO and COO together with technical experts. This has resulted in efficiency and productivity improvements which contributed to the semiconductor tooling segment’s higher gross profit margin in FY2015.

The CEO reported that the goal of *24/7 machining* is to have our production lines running at a maximum utilisation rate of 95% of the 168 hours in a week, with the remaining 5% used for maintenance. Moreover, the same concept and fundamentals developed in the USA, have been successfully applied to the Group’s other factories in Asia. This has helped the semiconductor tooling segment to achieve improved operational efficiency and productivity. As a result, the Group has been able to grow its revenue and profit while reducing headcount by over 27% to 438 people as at 1Q2016.

The Group has also been implementing a new in-house learning programme known as “sSMART for Life”, which comprises six basic life skills for success to help its people develop their potential and establish a common framework for decision-making within the organisation. The CEO said that his next stop in this regard would be the Philippines factory in the following week to conduct training for this programme.

In his review of the Group’s financial performance, the CFO said that the global semiconductor market had started experiencing slower sales from August 2015. In terms of revenue by geographical market, the Group achieved improved sales in the semiconductor tooling markets in China, Taiwan and Philippines during 1Q16. However, depreciation of the Ringgit affected the revenue derived from the Malaysia market which contributed 20% to the Group’s sales in 1Q16 compared to 21% in FY2015. Nevertheless, the Group recorded its highest ever quarterly revenue of S\$3.6 million in 1Q16, which he attributed mainly to increased sales of the semiconductor tooling business. In addition, the Group’s gross profit margin continued to show an upward trend as it rose by 4% to 57.3% in 1Q16 from 52.9% in 1Q15. The CFO said he wished to express his deepest appreciation to the Group’s employees for their hard work which went into achieving this record performance.

Q&A on the presentation slides:-

Question: One shareholder congratulated the Company for its good financial results and complimented the Company on its annual report. He suggested that it would be useful if the annual report could include certain financial ratios, for example, return on equity to shareholders.

Reply: The Chairman thanked the shareholder and said his suggestion had been noted.

Question: Another shareholder noted the improvement in CMA business. However, he said the revenue for CMA for 1Q16 was lower as compared to 3Q15 and 4Q15. He also said this business segment was taking a long time to turn profitable and asked about the expected performance in the future.

Reply: The CEO replied that building the CMA division had been challenging as the process had turned out to be more time-consuming and costly than originally expected. However, the CMA division has seen several technical breakthroughs which have also benefited the Group's other manufacturing facilities through improved quality, velocity and operational productivity. He advised that the last phase of the planned investment in the *24/7 machining* facility would be completed by 2Q16. The Group could then focus on working closely with customers and building the CMA business. Given the hard work and investment that the USA team has put into the CMA division, he is hopeful the division will begin showing improved results from the next quarter. He is closely monitoring the division's progress and the team is working diligently to improve the division's results. He added that the CMA division operates within the scale of a very much larger addressable market than the semiconductor tooling business. It therefore has the potential to grow to a larger scale.

The Q and A session was then drawn to a close.

Before proceeding to the formal business of the AGM, the Chairman informed shareholders that all resolutions put to the vote at this AGM would be voted on by way of a poll, similar to the voting procedures adopted in previous years. She explained the polling procedures and also announced that TS Tay Public Accounting Corporation had been appointed as the scrutineers for the purpose of the poll.

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

ORDINARY BUSINESS

1. Adoption of Directors' Report and Audited Financial Statements

1.1 The following Ordinary Resolution No. 1 was duly proposed by Mr Herman Phua Cheng Swee and seconded by Ms Chen Wei Ching:-

"It was resolved that the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2015 and the Auditors' Report thereon be received and adopted."

1.2 Q&A on Ordinary Resolution 1:

Question: Reference was made to the CFOs report that the global semiconductor industry had been experiencing slower sales in recent months. The question put was: If the global sales for this industry continued on a downward trend, how would the Group modify its marketing strategies and positioning, or take measures to deal with this trend?

Reply: The COO replied that based on the Group's financial results for 1Q16, revenue from its semiconductor tooling segment had actually grown despite the global market downturn. He attributed this mainly to growth of the Group's sales in the China market. The COO informed that the Group would continue to focus on building good rapport and business relationships with customers. With its strengthened R&D capabilities and new APE team to develop new processes for manufacturing, he was of the view that the Group would be able to engage more meaningfully with customers and bring value to them by providing solutions with a faster cycle time. In terms of marketing strategy, he said the Group would continually review its approach to align with market demand and changes.

The CFO added that the Group's financial position remained strong with sufficient cash as a buffer in the event of a market downturn. As an example, he pointed out that during the financial crisis in 2008, the Group took the opportunity to upgrade its IT infrastructure which strengthened its competitive edge in the market.

Question: A shareholder queried the allocation of S\$6.6 million capital expenditure for FY2016 since the last phase of *24/7 machining* is to be completed in 2Q2016.

Reply: The CEO replied that the Group is planning to invest in additional equipment in its factories in Asia and to further enhance its R&D capabilities in Singapore. The sum of S\$6.6 million will be used mainly for the semiconductor tooling business in Asia with less than S\$1 million earmarked for the CMA business in the USA.

Question: A shareholder asked about management's views in relation to the market trend toward miniature tools.

Reply: The CEO agreed that an increasing trend in the industry is towards miniaturization of chip packages. As a result, customers are demanding tools with more stringent requirements in terms of higher precision and smaller feature sizes. He said that the Group has the technical know-how, proprietary manufacturing processes and ability to invest in automation. This has enabled it to meet the fast-changing demands of customers and remain ahead of competitors.

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

2. Declaration of Final and Special Dividends

- 2.1 The following Ordinary Resolution No. 2 was duly proposed by Ms Ellen Lim Soon Boey and seconded by Mr TRC Raja:-

“It was resolved that a final dividend of 2.0 cents per ordinary share tax exempt (one-tier) and a special dividend of 1.0 cent per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2015 be paid on 18 November 2015 to members registered in the books of the Company on 5 November 2015.”

- 2.2 Q&A on Ordinary Resolution 2:

Question: One shareholder commended the Group for the distribution of a special and final dividend to shareholders. However, he was of the view that since analysts would normally not take into account the special dividend portion when computing the dividend yield, he suggested the Board to look into progressively increasing its ordinary dividend payment instead. He remarked that the current ordinary dividend of 3.0 cents per share and special dividend of 2.0 cents per share appeared to be too conservative for the Company.

Reply: The Chairman thanked the shareholder for his remarks and said the Board has noted his suggestion.

Question: Another shareholder noted from the FY2015 results announcement that the Group paid a total sum of S\$653,000 in withholding tax for remitting money out from China to Singapore, and asked if this was for the payment of dividends.

Reply: The CFO replied that the withholding tax was in relation to remittance of dividends from all overseas subsidiaries except Malaysia. The Group had to pay withholding tax of 10% in China and 15% in Philippines on the dividends remitted to the holding company in Singapore.

Question: The same shareholder suggested the Group to consider paying dividend in scrip in lieu of cash.

Reply: The Chairman noted his suggestion for the Board to consider scrip dividend in future.

- 2.3 There being no further questions, the Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 2 by completing the poll voting slips.

3. Re-election of Director – Ms Sumitri Mirnalini Menon @ Rabia

- 3.1 The following Ordinary Resolution No. 3 was proposed by Mr Alain Neo Say Chow and seconded by Mr Mui Weng Chiew:-

“It was resolved that Ms Sumitri Mirnalini Menon @ Rabia retiring by rotation in accordance with Article 91 of the Company’s Articles of Association, but being eligible and offering herself for re-election, be re-elected as Director of the Company.”

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

4. Re-election of Director – Mr Chow Kam Wing

- 4.1 The following Ordinary Resolution No. 4 was proposed by Mr Tok Hong Soon and seconded by Mr Herman Phua Cheng Swee:-

“It was resolved that Mr Chow Kam Wing retiring by rotation in accordance with Article 91 of the Company’s Articles of Association, but being eligible and offering himself for re-election, be re-elected as Director of the Company.”

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

5. Approval of Directors’ Fees

- 5.1 The following Ordinary Resolution No. 5 was proposed by Mr TRC Raja and seconded by Mr Yeow Meng Quee:-

“It was resolved that a sum of S\$224,033/- be approved for payment as Directors’ fees for the financial year ended 30 June 2015.”

- 5.2 Q&A on Ordinary Resolution 5:

Question: One shareholder commended the Board’s performance and suggested a further increase in Directors’ fees if the Company raises its dividends to shareholders in future.

Reply: The Chairman thanked the shareholder for his compliments. She clarified that there was no increase in Directors’ fees payable to the directors for FY2015. The slight increase in Directors’ fees in FY2015 compared to FY2014 was due to the payment of directors’ fees to Mr Ng Beng Tiong who had served on the Board until his retirement at the last AGM.

Question: The same shareholder wanted to know the current market conditions and economic situation in USA.

Reply: The CEO replied that the current market conditions in USA remained unpredictable and volatile. However, he commented that the size of the semiconductor market is significant. Despite the volatile market environment, the Group’s aim is to achieve sustainable progress over the long term. The Group’s strategy is to focus on customers and implement effective operational initiatives to improve the value it brings to customers’ businesses.

- 5.3 There being no further comments, the Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 5 by completing the poll voting slips.

6. Re-appointment of Auditors

- 6.1 The following Ordinary Resolution No. 6 was proposed by Ms Ellen Lim Soon Boey and seconded by Ms Wendy Tan Wei Lee:-

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

- 6.2 The CFO commended the auditors for maintaining their fees for both FY2015 and for FY2016. The CEO further thanked KPMG LLP for performing a good job with the annual report, and also their professionalism and high standards shown in the conduct of audit work.
- 6.3 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 6 by completing the poll voting slips.

SPECIAL BUSINESS

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

- 7.1 The following Ordinary Resolution No. 7 was duly proposed by Ms Winnie Soon Li Lik and seconded by Ms Collen Kuan May Foong:-

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

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

- 8.1 The following Ordinary Resolution No. 8 was proposed by Mr Herman Phua Cheng Swee and seconded by Mr Yeow Meng Quee:-

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

- 8.2 Question: There was a query raised on whether the Company had allotted any shares under this plan previously and whether this plan was necessary.

Reply: The CFO replied that the Company had not allotted any shares under this performance share plan in the past three years. The Chairman added that the Company wished to continue to obtain this mandate to provide greater flexibility.

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

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

9. Results of the Poll

9.1 About half an hour later, the scrutineers submitted their report to the Chairman who in turn announced the same to the shareholders. Based on the scrutineers' report, the results of the poll are as follows:-

Resolution number and details	Total number of shares represented by votes for and against the relevant resolution	For		Against		
		Number of shares	As a percentage of total number of votes for and against the resolution (%)	Number of shares	As a percentage of total number of votes for and against the resolution (%)	
Ordinary Business						
1.	Adoption of audited financial statements and reports for the financial year ended 30 June 2015	95,925,539	95,925,539	100	-	0
2.	Payment of final and special dividends	95,925,539	95,925,539	100	-	0
3.	Re-election of Ms Sumitri Mirnalini Menon @ Rabia as director	95,725,539	95,725,539	100	-	0
4.	Re-election of Mr Chow Kam Wing as director	93,114,539	93,114,539	100	-	0
5.	Approval of directors' fees	95,925,539	95,925,539	100	-	0
6.	Re-appointment of KPMG LLP as auditors	95,925,539	95,925,539	100	-	0
Special Business						
7.	Authority to allot and issue new shares	95,797,887	95,782,887	99.98	15,000	0.02

8.	Authority to allot and issue shares under Micro-Mechanics Performance Share Plan	49,057,879	48,197,879	98.25	860,000	1.75
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9.2 Accordingly, the Chairman declared:-

- 10.2.1 Ordinary Resolution No. 1 carried unanimously.
- 10.2.2 Ordinary Resolution No. 2 carried unanimously.
- 10.2.3 Ordinary Resolution No. 3 carried unanimously.
- 10.2.4 Ordinary Resolution No. 4 carried unanimously.
- 10.2.5 Ordinary Resolution No. 5 carried unanimously.
- 10.2.6 Ordinary Resolution No. 6 carried unanimously.
- 10.2.7 Ordinary Resolution No. 7 carried by the requisite majority.
- 10.2.8 Ordinary Resolution No. 8 carried by the requisite majority.

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

SUMITRI MENON
CHAIRMAN