

MICRO-MECHANICS (HOLDINGS) LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 199604632W)

Minutes of the Twenty-Fourth Annual General Meeting of the Company held by way of electronic means on Friday, 30 October 2020 at 9.00 a.m.

PRESENT

Directors

Ms Sumitri Mirmalini Menon : Independent Non-Executive Chairman
Mr Christopher Reid Borch : Executive Director and Chief Executive Officer (“CEO”)
Mr Low Ming Wah : Executive Director and Chief Operating Officer (“COO”)
Mr Chow Kam Wing : Executive Director and Chief Financial Officer (“CFO”)
Ms Lai Chin Yee : Independent Director
Mr Kenny Kwan Yew Kwong : Independent Director

Members

As per attendance record maintained by the Company.

In Attendance

As per attendance record maintained by the Company.

CHAIRMAN

Ms Sumitri Menon chaired the meeting. On behalf of the Board, Ms Sumitri extended a warm welcome to members who attended the meeting which was held via webcast in view of the COVID-19 control measures. As a quorum was present, the Chairman declared the meeting open.

NOTICE OF MEETING

The Notice of the meeting was published on SGXNET and the Company’s website on 1 October 2020. A printed copy of the annual report which includes the Notice and proxy form was also sent to members. The Notice was taken as read.

The meeting was informed that voting would be by poll. Members, who wished to vote on the resolutions, had appointed the Chairman of the meeting as their proxy to vote on their behalf, in accordance with the COVID-19 alternative arrangements for meetings. Based on the proxy forms received by the Company, the votes were counted and verified by TS Tay Public Accounting Corporation, the scrutineer for this AGM.

QUESTIONS FROM MEMBERS

The Company had received questions from a few members and the responses to substantial and relevant questions were published on SGXNET and the Company’s website on 29 October 2020. The questions and responses are attached as “Appendix 1” to these minutes.

PRESENTATION

The Chairman invited the Chief Executive Officer, Mr Christopher Reid Borch, to present the business updates of the Group.

The CEO informed that the Company would continue the tradition of giving an executive team presentation and he hoped that through the presentation segment, the members would have a better understanding of the management team. The CEO expressed his regret that this year's AGM would not have the usual lively dialogue but the management team had put in lots of time and thought into the presentation. The CEO together with the COO and CFO delivered the presentation using slides which covered "Business and Industry" and "Financial Review". It was noted that the presentation slides would be made available together with the announcement made by the Company after the AGM.

The CEO started with the first slide on "Corporate Overview". The Company was founded in 1983 in Singapore and it began operations in a small workshop with an initial goal to manufacture precision tools for the semiconductor industry. About 5 years later, the first engineer joined the Company and he is Low Ming Wah, the COO of the Company. During the intervening years, the Company established factories in Singapore, Malaysia, China, Philippines and the USA with a large array of customers in the semiconductor industry. The Company's core business is to manufacture high precision tools and parts that are used in process-critical applications.

On the Company's business model, the CEO highlighted the 2 main areas that the Company serviced in the semiconductor industry, i.e., assembly and testing of semiconductors and wafer fabrication. Basically, the Company designed and manufactured high precision tools and parts used in process-critical applications for the assembly processes and wafer-fabrication of the semiconductor industry. Although the Company serviced 2 separate segments with different challenges, the commonality between them was the manufacture of parts and tools that were used in process-critical applications.

To give the members an overview of the semiconductor industry, the next slide showed the historical data of global monthly chip sales (source: Semiconductor Industry Association) and WSTS semiconductor sales forecast (source: World Semiconductor Trade Statistics). The semiconductor industry is a large industry with global sales of about US\$400 billion a year. The CEO pointed out the wavy line on the graph which showed a downturn in 2019 and the industry started to recover at the end of 2019 with positive growth in 2020 before it was affected by Covid. Interestingly, the industry had continued to grow even though there were severe headwinds. The following slide showed the demand for the equipment used to fabricate semiconductors. The global sales of semiconductor manufacturing equipment reached around US\$50 to US\$60 billion a year. The Company served this large semiconductor manufacturing equipment industry mainly through the design and manufacture of critical parts for wafer fabrication.

The CEO added that in general, the forecast for the semiconductor industry including the 2 segments being serviced by the Company showed growth. Thus, the Company would continue to be part of a large and nicely growing industry.

To update the members of the Covid-19 situation, the COO went through the slide entitled "Impact of COVID-19 on Operations". Full details can be found in item 10 of the 1Q2021 financial results announced on 29 October 2020. In summary, the factories/plants in China, Malaysia, USA and Philippines underwent temporary closures and operations at reduced staffing level in compliance with the directives from the governments in those countries. The factory in China restored production in May 2020 while the plants in the remaining countries returned to normal staffing and operating levels by 1Q2021. As for the plant in Singapore (MMS), when the China plant closed in February 2020, MMS activated its business continuity plan. When the Singapore government implemented circuit breaker measures in April 2020, MMS was able to continue operating. Except for work-from-home and other control measures to limit personnel contact, MMS operated normally during 1Q2021.

It was an incredibly challenging period for the Group. Both the CEO and COO commended all employees of the Group for their response to the Covid-19 crisis in that they willingly and quickly adapted to the many changes made by the Group, behaved responsibly to ensure safety for everyone and worked hard to keep all plants running in order to support customers. The CEO also remarked that a Covid-19 outbreak in any factory could result in some disruptions. Although all necessary actions had been taken to mitigate the risk, the Company remained concerned about the situation.

The CEO continued with the presentation and informed that for FY2020, the Company achieved revenue growth of 6.4% to S\$64.2 million, maintained a strong and healthy gross profit margin of 53.4% and recorded a 13.1% rise in net profit to S\$14.7 million.

For FY2021, the Company's theme would not be just go *back to normal*, but to go *back to better* and with that theme in mind, the Company would focus on 5 key areas identified as "Maintain Healthy GP Margin", "Control Overhead Expenses", "Automation & Digitalization", "Grow without Borrowings & Reward Shareholders" and "Excel in Transparency & Governance". The CEO opined that these 5 key areas were timeless measures for a successful company. On the first key area, the COO was requested to share his thoughts on healthy gross profit margin. The COO remarked that the Company must continue to add value to the customers, for example, provide products and services to improve their production process and develop materials for them to meet today's demands for semiconductors.

The CEO then touched on "Control Overhead Expenses". Members could also refer to item 10 of the 1Q2021 financial results for more information. On the third key area, the Company has been automating its physical processes and this automation also extended to digitalizing workflows. The CFO spearheaded an initiative on digitalization that started 10 years ago, which proved beneficial during Covid times when remote working was necessary. With regard to the fourth key area, the Company was committed to grow without debt and also reward shareholders. The Company did not have bank borrowings. For the last key area, more information is set out in the next slide entitled "Commitment to Governance". At this point, the CEO invited the CFO to take over the presentation.

The CFO was pleased to announce that for The Singapore Governance and Transparency Index (SGTI) 2020, the Company ranked 13th out of 577 companies (17th out of 578 companies in 2019) listed on the Singapore Exchange. The SGTI score for the Company improved from 101 last year to 110 in 2020. For the top 20 companies on SGTI, the Company being in the small cap category was among mainly multibillion-dollar companies in terms of market capitalisation. SGTI is the leading index for assessing corporate governance practices of Singapore-listed companies. The organisations behind SGTI are NUS Business School's Centre for Governance, Institutions and Organisations in collaboration with CPA Australia and Singapore Institute of Directors which are influential organisations. For those investors interested in corporate governance, they would find the SGTI useful. Since listing, the Company had received over 30 awards in recognition of its high standards of corporate governance, transparency and investor relations with most of the awards from SIAS (Investors Choice Awards).

In order to furnish members with the latest financial information, the CFO presented the financial results for first quarter ended 30 September 2020 (1Q2021) together with the results for FY2020. The Company announced the financial results for 1Q2021 via SGXNET on 29 October 2020.

On the results for FY2020, the CFO focused on 3 key ratios which were important ratios from CFO's perspective and perhaps some investors as well. They were gross profit margin (GPM) of 53.4%, net profit margin of 22.8% and return on equity of 25.3%. GPM which indicated the competitiveness and productivity of the Company, was above the internal threshold of 50%. Incidentally, the Company's GPM of 53.4% was the same as that recorded by TSMC (Taiwan Semiconductor Manufacturing Company Limited), a Taiwanese multinational semiconductor contract manufacturing and design company in its latest quarter results.

The CFO then moved on to “Dividend Performance” which was his favourite slide because it showed how healthy the Company was in terms of cash flow. With shareholders’ approval of the dividend, the Company declared a total dividend of 12.0 cents per share for FY2020 (10.0 cents per share for FY2019). The Board of Directors recommended an additional special dividend of 2 cents having taken into consideration, among other things, the dividend might be useful to some members during these difficult times of Covid-19. The CFO also shared that in 2009, the Company paid 513% of earnings right after the global financial crisis (2 cents dividend out of half a million profit) and it received very good feedback from members who were appreciative of the dividend. The dividend payout ratio for FY2020 was 114%. There were some questions from members on whether the dividend could be sustained and the Company had published its response before the meeting. The CFO stressed that for dividend payments, the main factors to be considered would include profits, good cash flow and capex budget.

On revenue trend, the 1Q2021 revenue was S\$18.1 million (highest record). The CFO pointed out that in the past, 1Q results were not as good due to the holiday seasons. However, when comparing the 1Q results for FY2016 and 2017 with that for FY2018 onwards, the 1Q revenue had increased. This might be due to a change in chip users but no details on this point. There was not much change in geographical revenue for 1Q2021 and FY2020. The markets in China, USA and Malaysia which contributed to 65% of the total revenue, remained the top 3 markets.

On average, the GPM remained above 50%. The lower GPM in FY2019 was attributable to the additional depreciation expenses for machines purchased in FY2018 (capex of S\$12.1 million). With depreciation of about S\$1 million every year, the profit was affected but the GPM was still consistent with internal guidelines. On the slide entitled “Profitability”, the CFO highlighted the ratio of operating expense to revenue which was around 22% to 25%, a very healthy range. Net profit for 1Q2021 was S\$4.7 million (2nd highest record). The highest net profit of S\$5.2 million was recorded in 1Q2018. Incidentally, the net profit for 3Q2018 and 4Q2018 were lower than 1Q2018 due to capex with the delivery of the machines.

For the last 2 slides on “Cash flow” and “Balance sheet”, the CFO mentioned that a healthy cash flow position was very important particularly during a crisis. Thus, during Covid times, the Company took extra care in monitoring the cash flow. For FY2020, net cash from operating activities was recorded at S\$18.8 million and less the proposed dividend of about S\$16 million supported by profits, there would still be cash left. Thus, despite the proposed higher dividend, the balance sheet would remain in a very healthy condition. The CFO also shared that during Covid-19, the Company received subsidies from the Singapore government only. There were no subsidies from the governments of Malaysia, China and Philippines for the Group’s subsidiaries. Due to the Covid-19 situation, the Company had put in more efforts on collection and trade receivables (outstanding more than 90 days) for FY2020 was zero and for 1Q2021, it was 0.09%. There were no bad debts. The CFO opined that to run the Company smoothly and with confidence, the maintenance of a healthy cash position was crucial.

In conclusion of the presentation segment, the CEO mentioned that the 1Q2021 results were excellent and it ended with a strong cash position of S\$25.5 million.

ORDINARY RESOLUTIONS

The Chairman proceeded to the items on the agenda for the meeting.

AS ORDINARY BUSINESS

Ordinary Resolution 1 - Adoption of Directors’ Statement and Audited Financial Statements

The Chairman proposed the following resolution which was put to vote by poll:

“That the Directors’ Statement and Audited Financial Statements for the financial year ended 30 June 2020 and the Auditors’ Report thereon be received and adopted.”

The Chairman announced the results as follows and declared Ordinary Resolution 1 carried:

Ordinary Resolution 1	For		Against	
	Number of votes	(%)	Number of votes	(%)
	85,696,633	100	0	0

It was resolved that the Directors’ Statement and Audited Financial Statements for the financial year ended 30 June 2020 and the Auditors’ Report thereon be received and adopted.

Ordinary Resolution 2 - Declaration of Final and Special Dividends

The Chairman proposed the following resolution which was put to vote by poll:

“That a final dividend of 5 cents per ordinary share tax exempt (one-tier) and a special dividend of 2 cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2020 be paid on 19 November 2020 to members registered in the books of the Company on 7 November 2020.”

The Chairman announced the results as follows and declared Ordinary Resolution 2 carried:

Ordinary Resolution 2	For		Against	
	Number of votes	(%)	Number of votes	(%)
	85,696,633	100	0	0

It was resolved that a final dividend of 5 cents per ordinary share tax exempt (one-tier) and a special dividend of 2 cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2020 be paid on 19 November 2020 to members registered in the books of the Company on 7 November 2020.

Ordinary Resolution 3 - Re-Election of Mr Christopher Reid Borch

The Chairman proposed the following resolution which was put to vote by poll:

“That Mr Christopher Reid Borch retiring by rotation pursuant to Regulation 97 of the Company's Constitution, but being eligible and offering himself for re-election, be re-elected as director of the Company.”

The Chairman announced the results as follows and declared Ordinary Resolution 3 carried:

Ordinary Resolution 3	For		Against	
	Number of votes	(%)	Number of votes	(%)
	13,461,464	100	0	0

It was resolved that Mr Christopher Reid Borch retiring by rotation pursuant to Regulation 97 of the Company's Constitution, but being eligible and offering himself for re-election, be re-elected as director of the Company.

Ordinary Resolution 4 - Re-Election of Ms Lai Chin Yee

The Chairman proposed the following resolution which was put to vote by poll:

“That Ms Lai Chin Yee retiring by rotation pursuant to Regulation 97 of the Company's Constitution, but being eligible and offering herself for re-election, be re-elected as director of the Company.”

The Chairman announced the results as follows and declared Ordinary Resolution 4 carried:

Ordinary Resolution 4	For		Against	
	Number of votes	(%)	Number of votes	(%)
	85,657,133	99.98	19,500	0.02

It was resolved that Ms Lai Chin Yee retiring by rotation pursuant to Regulation 97 of the Company's Constitution, but being eligible and offering herself for re-election, be re-elected as director of the Company.

Ordinary Resolution 5 – Approval of Directors' Fees

The Chairman proposed the following resolution which was put to vote by poll:

“That a sum of S\$455,187/- be approved for payment as directors' fees for the financial year ended 30 June 2020.”

The Chairman announced the results as follows and declared Ordinary Resolution 5 carried:

Ordinary Resolution 5	For		Against	
	Number of votes	(%)	Number of votes	(%)
	85,676,633	100	0	0

It was resolved that a sum of S\$455,187/- be approved for payment as directors' fees for the financial year ended 30 June 2020.

Ordinary Resolution 6 - Re-appointment of Auditors

The Chairman proposed the following resolution which was put to vote by poll:

“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.”

The Chairman announced the results as follows and declared Ordinary Resolution 6 carried:

Ordinary Resolution 6	For		Against	
	Number of votes	(%)	Number of votes	(%)
	85,696,633	100	0	0

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.

AS SPECIAL BUSINESS

Ordinary Resolution 7 – Authority to allot and issue shares in the capital of the Company

The Chairman proposed the resolution set out under item 8 of the Notice of AGM dated 1 October 2020 which was put to vote by poll:

The Chairman announced the results as follows and declared Ordinary Resolution 7 carried:

Ordinary Resolution 7	For		Against	
	Number of votes	(%)	Number of votes	(%)
	51,221,720	100	0	0

It was resolved that pursuant to Section 161 of the Companies Act, Chapter 50 (Act), the Constitution and the listing rules of the Singapore Exchange Securities Trading Limited (SGX-ST), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) allot and issue shares in the capital of the Company (Shares) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements, or options (collectively, Instruments) that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro-rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below); and
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:-

- (a) new Shares arising from the conversion or exercise of convertible securities or from the exercise of share options or vesting of share awards which were issued and are 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
- (b) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

CLOSING

The Chairman thanked the members for their attendance and declared the meeting closed. The AGM ended at 9.45 a.m.

SUMITRI MENON
CHAIRMAN