

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

Minutes of the Eighteenth Annual General Meeting of the Company held at NTUC Centre, Level 8, Room 801, One Marina Boulevard, Singapore 018989 on Monday, 27 October 2014 at 9.30 a.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.

The Chairman informed 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 was appointed the scrutineers for the purpose of the poll.

After the directors gave a brief introduction of 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.

Prior to his presentation, the CEO introduced some US visitors namely Mr Thomas Wojno (HR Manager), Mr Kyle Borch (CEO’s son and also a shareholder) and Mr Morgan D’Arcy (CEO’s nephew whose family members are shareholders). The CEO also expressed his appreciation to his management staff, in particular, Ms Wendy Tan (Group Financial Controller), Mr Chow Kam Wing (Chief Financial Officer “CFO”) and the Company’s investor relations consultant, Octant Consulting, for their good efforts in finalising the Company’s annual report earlier this year. The annual reports were sent to the shareholders 1 month before AGM.

On the results, the CEO together with the Chief Operating Officer, Mr Low Ming Wah (“COO”) and CFO went through the presentation slides which covered “Corporate Highlights”, “Financial Review” and “Corporate Summary”. These presentation slides are available from the announcement made by the Company after the AGM.

The CEO gave a corporate overview of how the Micro-Mechanics Group had progressed since its official listing on SGX in Year 2003 to having a worldwide customer base in Singapore, Malaysia, Philippines, China, Taiwan, Thailand, Japan, Europe and USA and with 2 core business divisions under its belt, i.e. Semiconductor Tooling business and Custom Machining & Assembly business (“CMA”). Both divisions had achieved higher year on year revenue and recorded improvement in gross profit in all four quarters in FY2014. He informed that against a positive outlook and an encouraging upward trend in the demand of chips based on a report by the Semiconductor Industry Association as at July 2014, this might have a positive impact on the Group’s financial performance for the coming year.

On the operational strategies in FY2014, the CEO mentioned that with the objective of achieving higher automation and productivity, the Group had invested a total sum of approximately S\$22 million in new equipment since FY2011. He also highlighted that with a substantial amount of time and resources invested in the CMA R&D project to develop the 24/7 Machining Line, he hoped to eliminate the non-value processing time and improve productivity in terms of quality, cost, cycle time and manufacturing flexibility. The CEO also reported that the Group’s total headcount had been gradually reduced by 25% for the past 4 years from a total of 594 as at FY2011 to a current headcount of 461 as at FY2014.

The COO updated the shareholders on the closure of the factory in Thailand. He explained the decision was made after much deliberation by management as the Group's business in Thailand had never recovered fully since the severe flooding 3 years ago in spite of steps taken to right-size the operations there. The Group continued to support the customers there through an agent cum distributor in Thailand. The winding up of the Thailand subsidiary would result in a one-time expense of about S\$500,000 and would not expect to have a material impact on the net tangible assets of the Group in FY2015.

On corporate transparency, the CFO reported that for Year 2014, the Company was awarded a Silver award for Best Investor Relations and ranked 22<sup>nd</sup> position out of 644 listed companies on SGX for its governance and transparency rating. He also reported that in comparison on year to year basis, the Group turned in a revenue growth of 12% in FY2014. With higher sales, increased gross profit margin of 50.7% and tight control of expenses, the Group's net profit increased by 51% in FY 2014. Compared to 1Q2014, the Group achieved a record high 17.7% increase in revenue in 1Q2015. It also recorded the best quarter Group net profit of S\$2.8 million in 1Q2015.

Q&A on the presentation slides:-

Question: One shareholder remarked that the current market share price of the Company was not a true reflection in view of the good financial performance of the Group in FY2014. He suggested that the Company to look into increasing the liquidity of its shares and taking appropriate actions so that its market share price would be a fairer reflection of the share value. With the challenging business plans and models presented by the CEO, he hoped that the Company would secure more customers resulting in profitable growth.

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

Question: Reference was made to segment reporting on pages 78 and 79 of the Annual Report. For the US operations, there was an improvement in revenue and reduction in losses as at FY2014. However, in the latest quarter results, it was reported that CMA business suffered losses of about S\$400,000 as at 1Q2015 (compared to a loss of S\$340,512 as at FY2014) mainly due to a shift in product mix and higher depreciation expenses at the CMA factory in US. Query on whether Management was confident in turning around the CMA business since the loss had increased. The shareholder who posed the question also congratulated the board on the Best Investor Relations Silver Award received by the Company for the 5<sup>th</sup> consecutive year and commended management on their presentation, particularly in transparency and the good financial performance of the Group especially in the China and Malaysia markets.

Reply: The CEO replied that the CMA was a brand new business established by the Group about 5 years ago and it had since been a challenging task involving lots of new developments and resources. However, he remained confident that CMA business would continue to make good progress in the next few quarters and urged shareholders to be patient as he believed that the CMA business would open up a great scope and opportunity for the Group in time to come. The COO concurred with the view of the CEO. He also informed that from the financial results, the Asia region had benefited from the 24/7 machining developed by their CMA factory in US.

Question: Query on why the gross profit margin for the CMA business was so volatile as it fluctuated widely from quarter to quarter, from 29% (3Q) to 17% (4Q) last year and to 6% as at the latest quarter.

Reply: The CEO replied that the gross profit margin of the CMA business was affected significantly due to the heavy depreciation cost associated with new equipment acquired by the Group. He explained that during the last quarter, the Group had commissioned a first dedicated multi-million production line which would be the last stage of their strategy to 24/7 initiatives. The higher depreciation expenses on new equipment had thus brought down the gross profit margin for the last quarter. He assured shareholders that while growth remains a top key priority of the Group, management would continue to monitor and keep a tight rein on the cost associated with every dollar revenue.

Question: The shareholder who posed the above query also observed that the dividend payout ratio for FY2014 was the lowest in the past 10 years despite having a healthy cash position. Query on whether there was a mechanism/concept in place on dividend payout and whether shareholders could expect better dividend payout ratio in the future.

Reply: The CFO replied that the amount of dividend (out of profits) was recommended by the Board after ascertaining the cash position and setting aside capital expenditure requirements. As disclosed in 1Q2015 results announcement, a sum of S\$1.5 million had been spent on CAPEX out of the total budgeted sum of S\$7 million. The Board would take into consideration the possibility of a higher dividend payout if the situation and circumstances permit.

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 Accounts**

1.1 The following Ordinary Resolution No. 1 was duly proposed by Ms Winnie Soon Li Lik and seconded by Mr Mano Sabnani:-

“It was resolved that the Directors' Report and Audited Accounts for the financial year ended 30 June 2014 and the Auditors' Report thereon be received and adopted.”

1.2 Q&A on Ordinary Resolution 1:

Question: Reference was made to Note No. 7 “Trade and Other Receivables” on page 58 of the Annual Report regarding a new item “advances to suppliers” for FY2014. Query on details of this item and whether it would be a one-time transaction or recurring in nature for disclosure in future annual reports of the Company.

Reply: The CFO replied that the amount under “advances to suppliers” comprised the down payments made by the Company on new machinery and would be a recurring item as the Company would not use bank borrowings for purchases.

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

## **2. Declaration of Final dividend**

- 2.1 The following Ordinary Resolution No. 2 was duly proposed by Mr Alain Neo Say Chow and seconded by Ms Tan Hui Ing:-

“It was resolved that a final dividend of 2.0 cents per ordinary share one-tier tax exempt for the financial year ended 30 June 2014 be paid on 19 November 2014 to members registered in the books of the Company on 5 November 2014.”

- 2.2 Q&A on Ordinary Resolution 2:

Question: Query on whether there was a minimum dividend base rate or dividend policy in respect of the dividend payout to shareholders.

Reply: The Chairman replied that the Company currently does not have any dividend policy or fixed base rate for dividend payout. The dividend amount recommended by the Board would be based on profitability and after setting aside any sums to meet the needs of the business.

Question: Reference was made to page 6 of the Annual Report on “Group Net Profit” and “Dividend History”. The shareholder commented that (i) based on the charts provided, the dividend payout by the Company for the past 5 years was flat at 3.0 Singapore cents per share in spite of the significant increase in the Group’s net profit of more than 50% from FY 2010 to FY2014 and increase in earnings from S\$5.1 million in FY2013 to S\$7.7 million in FY2014; (ii) it would be good for the Company to have a clear dividend policy in place so that analysts and shareholders could better understand and value the Company and its share price which is still low currently; (iii) the Company has the capacity in paying higher dividends in view of its cash rich position with zero borrowings and (iv) a dividend policy would just serve as a guideline whereby in a normal year, the Company could pay dividend based on the policy. Should the Company be unable to pay based on the dividend policy, it could explain to the shareholders.

Reply: The Chairman thanked the shareholder for his comments and informed that the Board would debate on the issues raised. The Board does take note of the share price of the Company.

Comment: Another shareholder remarked that although the Company experienced certain economic crisis resulting in drop in earnings a few years ago, it continued to pay dividends to shareholders without fail. He suggested the Board to consider raising future dividend payout ratio in tandem with profitability so as to enhance greater assurance and confidence in shareholders.

- 2.3 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. Retirement of Director – Mr Ng Beng Tiong**

The Chairman informed that Mr Ng Beng Tiong retired by rotation under the Company’s Articles of Association and he had decided not to seek re-election as a Director. Accordingly, he would retire as a Director and cease as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee upon the conclusion of this AGM. On behalf of the Board, the Chairman thanked Mr Ng for his past services and invaluable contribution to the Board and the Micro Mechanics Group.

**4. Re-election of Director - Mr Christopher Reid Borch**

- 4.1 The following Ordinary Resolution No. 3 was proposed by Mr Mano Sabnani and seconded by Mr Mui Weng Chiew:-

“It was resolved that Mr Christopher Reid Borch 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.”

- 4.2 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.

**5. Re-election of Director – Ms Lai Chin Yee**

- 5.1 The Chairman welcomed Ms Lai to the Board. She informed that Ms Lai was appointed a Director in June 2014 after an exhaustive search by the Company for another Independent Director. If re-elected, Ms Lai would fill the position vacated by Mr Ng Beng Tiong as Chairman of the Audit Committee upon the conclusion of this meeting and she would remain as a member of the Remuneration Committee and Nominating Committee.

- 5.2 The following Ordinary Resolution No. 4 was proposed by Ms Wendy Tan Wei Lee and seconded by Ms Lisa Heng:-

“It was resolved that Ms Lai Chin Yee retiring in accordance with Article 97 of the Company’s Articles of Association, but being eligible and offering herself for re-election, be re-elected as Director of the Company.”

- 5.3 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.

**6. Approval of Directors' Fees**

- 6.1 The following Ordinary Resolution No. 5 was proposed by Mr Teo Cheng Nai Ronnie and seconded by Mr Thomas Wojno:-

“It was resolved that a sum of S\$211,367/- be approved for payment as Directors’ fees for the financial year ended 30 June 2014.”

- 6.2 Q&A on Ordinary Resolution 5:

Question: Query on whether the directors’ fees had been reviewed higher given the new appointment to the Board during the year.

Reply: The Chairman replied that there was no change to the policy on calculating directors’ fees as set out in the Annual Report 2014.

- 6.3 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.

**7. Re-appointment of Auditors**

- 7.1 The following Ordinary Resolution No. 6 was proposed by Mr Herman Phua and seconded by Mr Kyle Borch:-

“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.”

- 7.2 Q&A on Ordinary Resolution No. 6:

Question: Query on whether there was any consideration to change the Auditors.

Reply: The Chairman replied that there was no intention to change the current Auditors.

- 7.3 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**

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

- 8.1 The following Ordinary Resolution No. 7 was duly proposed by Mr Chong Su Nyen and seconded by Mr Alain Neo Say Chow:-

“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.”
- 8.2 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.
- 9. Authority to allot and issue shares under Micro-Mechanics Performance Share Plan**
- 9.1 The following Ordinary Resolution No. 8 was proposed by Mr Morgan Thomas D’Arcy and seconded by Mr Herman Phua:-
- “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.”
- 9.2 The Chairman reminded the meeting that the Directors and employees who were shareholders and eligible to participate in the Plan should abstain from voting on Ordinary Resolution No. 8.
- 9.3 The Chairman called for a poll on the resolution. The shareholders were requested to exercise their votes on Ordinary Resolution No. 8 by completing the poll voting slips. Thereafter, the scrutineers collected all the poll voting slips for counting.

**10. Results of the Poll**

10.1 About half an hour later, the scrutineers submitted their report to the Chairman. Based on the scrutineers' report, the results of the poll are as follows:-

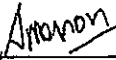
Annual General Meeting	For	Against
	Number of Shares	Number of Shares
<b>Ordinary Business</b>		
<b>Resolution 1</b> Adoption of Reports and Accounts	113,756,196	NIL
<b>Resolution 2</b> Declaration of final dividend	113,756,196	NIL
<b>Resolution 3</b> Re-election of Mr Christopher Reid Borch as director	78,281,283	NIL
<b>Resolution 4</b> Re-election of Ms Lai Chin Yee as director	113,756,196	NIL
<b>Resolution 5</b> Approval of directors' fees	113,756,196	NIL
<b>Resolution 6</b> Re-appointment of KPMG LLP as auditors	113,756,196	NIL
<b>Special Business</b>		
<b>Resolution 7</b> Authority to allot and issue new shares	93,679,673	120,000
<b>Resolution 8</b> Authority to allot and issue shares under Micro-Mechanics Performance Share Plan	40,186,931	2,000

10.2 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 11.25 a.m.

  
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SUMITRI MENON  
CHAIRMAN