

Chairman's Statement

Dear Shareholders,

Our financial year ended 30 June 2011 ("FY2011") was again marked by swift changes and volatility in the macro environment. Doing business grew and will continue to grow more complex. The more complex things are, the more important it is for companies to steadily focus on the fundamentals. This is what we, at Micro-Mechanics have always done and intend to continue doing.

One fundamental is good corporate governance built on a corporate culture of integrity. We continue to believe that good governance is not a luxury but translates over time to a competitive advantage for the Group and is necessary for preserving and building value for our Shareholders, particularly in a swiftly changing and increasingly complex world.

Corporate governance initiatives start at the top with the Board of Directors and Group executives. However, the underpinnings of accuracy, completeness and transparency – the "right way" of doing things – depend on every person in the Group. During FY2011, we received several awards recognising the Group for its efforts to promote good corporate governance and transparency.

In September 2010, Micro-Mechanics received the award for "Most Transparent Company – Main Board Small Caps (Runner Up)" by the Securities Investors Association Singapore. This award is conferred to companies that go beyond the mandatory regulatory requirements in their quality of disclosure, corporate transparency and fairness in disclosure.

In January 2011, the Group was voted "Best for Shareholders' Rights and Equitable Treatment in Singapore" for the second year running in Asiamoney's annual Corporate Governance Poll in recognition of our shareholder-friendly practices. Past winners of this award have mainly been large blue-chip companies on the Singapore Exchange.

Recently, in July 2011, Micro-Mechanics received the "Best Investor Relations Award – Silver" (in the "less than \$300 million market capitalisation" category) at the Singapore Corporate Awards 2011. We got a Bronze award for this category last year and it is encouraging that the progress we have made has been acknowledged by a Silver award this year. In July 2011, Micro-Mechanics was also ranked 20th out of 657 companies listed on the Singapore Exchange in the Governance and Transparency Index which is jointly conducted by the NUS Business School's Centre for Governance, Institutions and Organisations and Business Times, Singapore's daily financial newspaper.

We are pleased that our efforts continue to be recognised, and will continue to raise the bar and improve our internal processes to attain the highest standards of corporate transparency and governance.

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 that our people play in our success. For FY2011, we distributed S\$1.5 million to our people at all levels under the Group's Performance Bonus Incentive Plan.

Since our listing in June 2003, we have had a consistent practice of rewarding shareholders for their support of Micro-Mechanics. Subject to approval at the upcoming Annual General Meeting on 28 October 2011, we plan to distribute a final dividend of 2.0 cents per share. This will bring the total dividend payment for FY2011 to 3.0 cents per share, the same as FY2010. Including this final dividend for FY2011, we would have distributed 25.9 cents to our shareholders since 2003. Based on dividends alone, this translates into a return of approximately 140% for our shareholders who bought Micro-Mechanics shares at our Initial Public Offer.

Since going public, our Group has worked to build a board where directors can openly exchange different ideas and views with a common goal of making good decisions. I would like to thank our executive directors, Chris Borch, Low Ming Wah and Chow Kam Wing, as well as our independent directors, Ng Beng Tiong and Girija Pande, for their collective wisdom, sound judgement and practical advice.

On behalf of the board, I would also like to thank our customers, business partners and suppliers for their continued support of Micro-Mechanics. We look forward to continue working together to build value for all our stakeholders.

Sumitri Menon

Independent Non-Executive Chairman