

MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Full Year Financial Statements Announcement for the year ended 30/06/2017

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Year-to-date		
		Group FY2017 S\$	Group FY2016 S\$	Change
Revenue	(1)	57,229,665	51,251,042	11.7%
Cost of sales	(2)	(24,361,714)	(22,113,514)	10.2%
Gross profit		32,867,951	29,137,528	12.8%
Other income	(3)	724,740	687,096	5.5%
Distribution costs	(4)	(3,150,117)	(2,923,191)	7.8%
Administrative expenses	(5)	(8,591,240)	(8,004,154)	7.3%
Other operating expenses	(6)	(3,348,497)	(3,204,997)	4.5%
Profit from operations		18,502,837	15,692,282	17.9%
Finance costs		-	-	-
Profit before income tax	(7)	18,502,837	15,692,282	17.9%
Income tax expense	(8)	(3,740,620)	(3,808,873)	(1.8%)
Profit after tax		14,762,217	11,883,409	24.2%
Non-controlling interests		-	-	-
Profit for the year		14,762,217	11,883,409	24.2%
Statement of Comprehensive Income				
Profit for the year		14,762,217	11,883,409	24.2%
Other comprehensive income: Foreign currency translation differences for foreign operations, net of tax		(502,230)	(1,574,184)	(68.1%)
Total comprehensive income for the year		14,259,987	10,309,225	38.3%

Notes:

- (1) Please refer to section 8 of this announcement for an analysis of the Group's revenue.
- (2) Cost of sales increased in line with the increase in sales. Accordingly, production headcount increased to 319 in FY2017 from 288 in FY2016.

3) Other income consists of:

	FY2017 S\$	FY2016 S\$	Change
Gain on disposal of property, plant and equipment	61,877	126,134	(50.9%)
Interest income from banks and others	130,269	146,269	(10.9%)
Rental income	113,886	113,011	0.8%
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	125,478	225,109	(44.3%)
Exchange gain	173,511	-	n.m.
Others	119,719	76,573	56.3%

n.m.: Not meaningful

- (4) Please refer to section 8 of this announcement for an analysis of the Groups’ distribution expenses.
- (5) Please refer to section 8 of this announcement for an analysis of the Group’s administrative expenses.
- (6) Please refer to section 8 of this announcement for an analysis of the Group’s other operating expenses.
- (7) Profit before income tax was arrived at after charging the following expenses:

	FY2017 S\$	FY2016 S\$	Change
Trade receivables written off	-	11,213	(100.0%)
Depreciation of property, plant and equipment	4,337,877	4,422,894	(1.9%)
Exchange loss	-	107,636	(100.0%)
Inventories written off	101,892	75,909	34.2%
Fixed assets written off	5,735	319,536	(98.2%)

- (8) Income tax expense for FY2017 totaled S\$3.7 million of which S\$446k was related to withholding tax on dividends remitted to Singapore from various overseas subsidiaries. The effective tax rate for FY2017 was 20.2% as compared to 24.3% for FY2016.
- (9) Depreciation expenses in FY2017 decreased by 1.9% to S\$4.3 million as certain assets have been fully depreciated. The Group also disposed of various equipment during the year.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group 30 Jun 17 S\$	Group 30 Jun 16 S\$	Company 30 Jun 17 S\$	Company 30 Jun 16 S\$
Non-current assets					
Property, plant and equipment		26,157,348	25,551,395	-	-
Subsidiaries		-	-	18,364,744	18,364,744
Trade and other receivables		439,394	93,387	982,318	961,349
		26,596,742	25,644,782	19,347,062	19,326,093
Current assets					
Inventories		3,669,372	3,279,002	-	-
Trade and other receivables		11,906,718	10,337,194	2,191,763	3,768,101
Cash and cash equivalents		23,422,290	20,075,178	11,554,207	9,595,997
		38,998,380	33,691,374	13,745,970	13,364,098
Total assets		65,595,122	59,336,156	33,093,032	32,690,191
Shareholders' equity					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(1)	(5,436,297)	(4,934,067)	-	-
Accumulated profits		45,424,669	40,394,683	17,961,838	17,550,014
		54,771,303	50,243,547	32,744,769	32,332,945
Non-current liabilities					
Deferred tax liabilities		1,406,658	1,307,986	-	-
Other payables & accrual		279,650	239,401	-	-
		1,686,308	1,547,387	-	-
Current liabilities					
Trade and other payables		7,810,579	5,948,920	343,311	352,210
Current tax payable		1,326,932	1,596,302	4,952	5,036
		9,137,511	7,545,222	348,263	357,246
Total liabilities		10,823,819	9,092,609	348,263	357,246
Total equity and liabilities		65,595,122	59,336,156	33,093,032	32,690,191

Notes:

- (1) The movement in foreign currency translation reserves in FY2017 was mainly due to the depreciation of the Malaysia Ringgit against the Singapore Dollar.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less or on demand

As at 30 Jun 17		As at 30 Jun 16	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 Jun 17		As at 30 Jun 16	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Not applicable

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Group FY2017 S\$	Group FY2016 S\$
Cash flows from operating activities			
Profit for the year		14,762,217	11,883,409
Adjustments for:			
Depreciation of property, plant and equipment		4,337,877	4,422,894
Property, plant and equipment written off		5,735	319,536
Gain on disposal of property, plant and equipment		(61,877)	(126,134)
Interest income		(130,269)	(146,269)
Tax expense		3,740,620	3,808,873
Operating profit before changes in working capital		22,654,303	20,162,309
Inventories		(430,762)	115,658
Trade and other receivables		(2,077,984)	(353,556)
Trade and other payables		1,836,266	(417,004)
Cash generated from operations		21,981,823	19,507,407
Income tax paid		(3,886,695)	(3,195,374)
Net cash from operating activities		18,095,128	16,312,033
Cash flows from investing activities			
Purchase of property, plant and equipment	(1)	(5,094,291)	(4,095,821)
Proceeds from disposal of property, plant and equipment		111,177	219,413
Interest received		127,501	175,585
Net cash used in investing activities		(4,855,613)	(3,700,823)
Cash flows from financing activities			
Dividends paid	(2)	(9,732,231)	(6,951,595)
Net cash used in financing activities		(9,732,231)	(6,951,595)
Net increase in cash and cash equivalents		3,507,284	5,659,615
Cash and cash equivalents at beginning of year		19,907,478	14,983,111
Effect of exchange rate fluctuations		(152,822)	(735,248)
Cash and cash equivalents at the end of year	(3)	23,261,940	19,907,478

Notes:

- (1) In addition to spending about S\$0.3 million on computer hardware and software, the Group invested approximately S\$4.7 million in new equipment for its five factories.
- (2) The Company paid a final dividend of 3.0 cents and special dividend of 1.0 cent per ordinary share (one-tier tax exempt) on 18 November 2016 in respect of financial year ended 30 June 2016. The Group paid an interim dividend of 3.0 cents per ordinary share (one-tier tax exempt) on 27 February 2017 in respect of financial year ended 30 June 2017.

(3) Cash and cash equivalent is derived from:

	Group 30 June 17 S\$	Group 30 June 16 S\$
Cash and cash equivalent balances	23,422,290	20,075,178
Less: Pledged cash placed with bank	(160,350)	(167,700)
	23,261,940	19,907,478

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital S\$	Foreign Currency Translation Reserve S\$	Accumulated Profits S\$	Total S\$
The Group				
As at 1 July 2015	14,782,931	(3,359,883)	35,462,869	46,885,917
Total comprehensive income for the year:				
Profit for the year	-	-	11,883,409	11,883,409
Other comprehensive income:				
Foreign currency translation difference	-	(1,574,184)	-	(1,574,184)
Total comprehensive income for the year	-	(1,574,184)	11,883,409	10,309,225
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share & special dividend of 1.0 cent per share (one-tier tax exempt) in respect of FY2015	-	-	(4,170,957)	(4,170,957)
Interim dividend 2.0 cents per share (one tier tax-exempt) in respect of FY2016	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(6,951,595)	(6,951,595)
As at 30 June 2016	14,782,931	(4,934,067)	40,394,683	50,243,547
As at 1 July 2016	14,782,931	(4,934,067)	40,394,683	50,243,547
Total comprehensive income for the year:				
Profit for the year	-	-	14,762,217	14,762,217
Other comprehensive income:				
Foreign currency translation difference	-	(502,230)	-	(502,230)
Total comprehensive income for the year	-	(502,230)	14,762,217	14,259,987
Transactions with owners, recorded directly in equity				
Final dividend of 3.0 cents per share & special dividend of 1.0 cent per share (one-tier tax exempt) in respect of FY2016	-	-	(5,561,275)	(5,561,275)
Interim dividend 3.0 cents per share (one tier tax-exempt) in respect of FY2017	-	-	(4,170,956)	(4,170,956)
Total transactions with owners, recorded directly in equity	-	-	(9,732,231)	(9,732,231)
As at 30 June 2017	14,782,931	(5,436,297)	45,424,669	54,771,303

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
The Company				
As at 1 July 2015	14,782,931	-	16,639,957	31,422,888
Total comprehensive income for the year:				
Profit for the year	-	-	7,861,652	7,861,652
Total comprehensive income for the year	-	-	7,861,652	7,861,652
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share & special dividend of 1.0 cent per share (one-tier tax exempt) in respect of FY2015	-	-	(4,170,957)	(4,170,957)
Interim dividend 2.0 cents per share (one tier tax-exempt) in respect of FY2016	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(6,951,595)	(6,951,595)
As at 30 June 2016	14,782,931	-	17,550,014	32,332,945
As at 1 July 2016	14,782,931	-	17,550,014	32,332,945
Total comprehensive income for the year:				
Profit for the year	-	-	10,144,055	10,144,055
Total comprehensive income for the year	-	-	10,144,055	10,144,055
Transactions with owners, recorded directly in equity				
Final dividend of 3.0 cents per share & special dividend of 1.0 cent per share (one-tier tax exempt) in respect of FY2016	-	-	(5,561,275)	(5,561,275)
Interim dividend 3.0 cents per share (one tier tax-exempt) in respect of FY2017	-	-	(4,170,956)	(4,170,956)
Total transactions with owners, recorded directly in equity	-	-	(9,732,231)	(9,732,231)
As at 30 June 2017	14,782,931	-	17,961,838	32,744,769

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Nil

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of shares were 139,031,881 ordinary shares as at both 30 June 2017 and 30 June 2016. The Company did not have any treasury shares as at the end of the current financial year or at the end of FY2017.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Yes.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	FY2017	FY2016
Earnings per ordinary share for the year based on net profit after tax and non-controlling interest:-		
(i) Based on weighted average number of ordinary shares in issue	10.62 cents	8.55 cents
(ii) On a fully diluted basis	10.62 cents	8.55 cents

The calculation is based on the weighted average number of shares in issue during the financial year. The weighted average number of shares outstanding during the year was 139,031,881 (30 June 2016: 139,031,881).

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group 30 Jun 17	Group 30 Jun 16	Company 30 Jun 17	Company 30 Jun 16
Net Asset Value per ordinary share (cents)	39.39	36.14	23.55	23.26

The net asset value per ordinary share is calculated based on net assets of S\$54.8 million (30 June 2016: S\$50.2 million) and 139,031,881 (30 June 2016: 139,031,881) shares in issue at the end of the current financial year reported on/immediately preceding financial year.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF PROFIT AND LOSS

Semiconductor industry review

Based on statistics compiled by the Semiconductor Industry Association (SIA), the global semiconductor industry has been growing impressively during the first six months of 2017. World-wide chip sales in the second quarter of 2017 increased 23.7% to a quarterly record of US\$97.9 billion. Semiconductor sales of US\$190.5 billion during the first half of 2017 were 20.8% higher than the same period in 2016.

The SIA said the market's growth has been consistent across all major regional markets and semiconductor product categories. It believes that conditions are favorable for continued market growth in the months ahead.

In response to the industry's strong sales, the World Semiconductor Trade Statistics (WSTS) did, on 6 June 2017, raise its 2017 sales growth forecast for the second time this year to 11.5% from 6.5% previously. WSTS said the higher forecast reflects expected growth in all major categories, led by memory products.

Group Revenue

REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2017	S\$13,358,519	S\$14,181,744	S\$14,241,672	S\$15,447,730	S\$57,229,665
	FY2016	S\$13,602,850	S\$12,190,197	S\$12,529,565	S\$12,928,430	S\$51,251,042
% growth	(1.8%)	16.3%	13.7%	19.5%	11.7%	

For the 12 months ended 30 June 2017 (FY2017), the Group achieved record revenue of S\$57.2 million, an increase of 11.7% from S\$51.3 million reported in FY2016. This was driven mainly by higher sales achieved in all of our geographical markets with the exception of Europe.

For the three months ended 30 June 2017 (4Q17), the Group's revenue increased 19.5% to a quarterly record of S\$15.4 million from S\$12.9 million in 4Q16, reflecting the strong growth of the global semiconductor industry since the beginning of 2017. On a quarter-on-quarter (qoq) basis, Group revenue increased by 8.5% to S\$15.4 million in 4Q17 from S\$14.2 million in 3Q17.

Revenue breakdown by Geographical Market

Country	Group										
	3Q17 S\$ m	4Q17		4Q16		% change	FY2017		FY2016		% change
	S\$ m	S\$ m	%	S\$ m	%		S\$ m	%	S\$ m	%	
Singapore	1.2	1.4	9%	0.9	7%	60%	4.7	8%	3.0	6%	58%
Malaysia	2.8	3.0	20%	2.8	22%	6%	11.9	21%	10.6	21%	12%
Philippines	1.2	1.4	9%	1.1	9%	26%	5.1	9%	4.6	9%	10%
Thailand	0.4	0.4	2%	0.4	3%	3%	1.6	3%	1.1	2%	45%
China	3.7	4.0	26%	3.4	26%	19%	14.8	26%	14.3	28%	4%
USA	2.4	2.8	18%	1.9	15%	45%	9.1	16%	7.9	15%	16%
Europe	0.6	0.5	3%	0.6	4%	(6%)	2.2	4%	2.4	5%	(8%)
Japan	0.2	0.2	2%	0.3	2%	(7%)	1.1	2%	1.0	2%	17%
Taiwan	1.3	1.3	8%	1.2	10%	3%	5.0	9%	5.0	10%	1%
Rest of world	0.4	0.4	3%	0.3	2%	14%	1.7	2%	1.4	2%	19%
Total	14.2	15.4	100%	12.9	100%	20%	57.2	100%	51.3	100%	12%

In FY2017, the Group witnessed broad-based sales increases in all of our geographical markets except for Europe. Sales in China increased 3.6% to S\$14.8 million, weighed down by the translational impact of a 5% depreciation of the Chinese Renminbi against Singapore Dollar. Nonetheless, China accounted for 26% of Group revenue to remain our largest market. Sales from our second largest market, Malaysia, increased by 11.9% to S\$11.9 million to account for 21% of Group revenue.

Sales in the USA increased by 16% to S\$9.1 million and was our third largest market in FY2017, contributing 16% to the Group's revenue. Sales to customers in Singapore increased by 58% to S\$4.7 million while sales in the Philippines grew 10% to S\$5.1 million.

Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2017	56%	56%	59%	62%	58%
FY2016	54%	50%	55%	56%	54%	

Our average capacity utilisation rate in FY2017 increased to 58% from 54% in FY2016, in tandem with the increase in Group sales.

Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2017	57.3%	55.4%	57.4%	59.4%	57.4%
	FY2016	57.3%	55.9%	57.1%	57.0%	56.9%

The Group's gross profit increased by 12.8% to S\$32.9 million in FY2017. Gross profit margin improved to 57.4% from 56.9% in FY2016 due mainly to higher capacity utilisation as mentioned above, as well as cost, productivity and cycle time improvements across our worldwide manufacturing operations.

Other income, Distribution Cost, Administrative Expenses and Other Operating Expenses

Admin, Distribution and Other Operating Expenses (net of other income)		1Q	2Q	3Q	4Q	Full Year
	FY2017	S\$3,156,679	S\$3,597,499	S\$3,858,659	S\$3,752,277	S\$14,365,114
	% of sales	23.6%	25.4%	27.1%	24.3%	25.1%
FY2016	S\$3,142,405	S\$3,313,423	S\$3,496,148	S\$3,493,269	S\$13,445,246	
% of sales	23.1%	27.2%	27.9%	27.0%	26.2%	

We continued to keep a close watch on our expense structure. Distribution expenses increased 7.8% to S\$3.2 million in FY2017 from S\$2.9 million in FY2016 due mainly to higher commissions and sales incentives paid, which was in line with the growth in revenue. Administrative expenses increased 7.3% to S\$8.6 million in FY2017 from S\$8.0 million in FY2016 due mainly to annual salary adjustments and an increase in performance bonus costs. Other operating expenses increased slightly to S\$3.3 million in FY2017 from S\$3.2 million in FY2016.

Other income increased 5.5% to S\$725k in FY2017 from S\$687k in FY2016 due mainly to a net foreign exchange gain of S\$173k. In addition to invoicing in various currencies, the Group uses currency hedging to mitigate the effect of currency fluctuations.

Our total administrative, distribution and other operating expenses (net of other income) was S\$14.4 million in FY2017 as compared to S\$13.4 million in FY2016. As a percentage of sales, these overhead expenses decreased to 25.1% in FY2017 from 26.2% in FY2016.

Profit before Tax and Net Profit

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2017	S\$3,380,488	S\$3,362,239	S\$3,464,162	S\$4,555,328	S\$14,762,217
	FY2016	S\$3,593,738	S\$2,722,652	S\$2,736,006	S\$2,831,013	S\$11,883,409
% growth	(5.9%)	23.5%	26.6%	60.9%	24.2%	

The Group's profit before tax increased 17.9% to S\$18.5 million in FY2017 from S\$15.7 million in FY2016.

After deducting income tax expenses of S\$3.7 million in FY2017 (S\$3.8 million in FY2016), the Group reported a record net profit of S\$14.8 million in FY2017, an increase of 24.2% from S\$11.9 million in FY2016. The Group's net profit margin increased to 25.8% in FY2017 from 23.2% in FY2016.

For FY2017, the Group's effective tax rate fell to 20.2% from 24.3% in FY2016, mainly due to improved operating results at our USA factory, as well as various investment and development incentives granted to our plant in Singapore.

Correspondingly, the Group's earnings per share increased to 10.62 cents in FY2017 from 8.55 cents in FY2016.

Balance Sheet

As at 30 June 2017, the Group remained in sound financial position with a balance sheet that had total assets of S\$65.6 million, shareholders' equity of S\$54.8 million, cash and cash equivalents of S\$23.4 million and no bank borrowings.

Long Term Assets

As at 30 June 2017, non-current assets stood at S\$26.6 million as compared to S\$25.6 million as at 30 June 2016.

Trade Receivables

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2017	S\$9,298,863	S\$10,247,177	S\$10,153,208	S\$11,013,276
	≥ 90 days	0.8%	0.2%	0.2%	0.1%
	Write-off	-	-	-	-
	FY2016	S\$9,906,118	S\$9,013,953	S\$8,731,332	S\$9,418,624
≥ 90 days	0.2%	0.8%	1.3%	0.1%	
Write-off	-	0.1%	0.1%	0.1%	

In tandem with higher 4Q17 sales, total trade receivables as at 30 June 2017 increased to S\$11.0 million, as compared to S\$9.4 million as at 30 June 2016. Of this, 0.1% was outstanding for 90 days or more (0.1% at end of 30 June 2016). The Group had no bad debt expense during FY2017 (S\$11.2k during FY2016).

Trade & Other Payables

As at 30 June 2017, our trade payables totaled S\$1.4 million, of which S\$64k was outstanding for 30 days or more. Non-trade payables totaled S\$1.5 million. Other accrued expenses stood at S\$4.9 million.

Deferred Tax Liabilities

As at 30 June 2017, the deferred tax liabilities was S\$1.4 million as compared to S\$1.3 million as at 30 June 2016.

Inventory

As a percentage of annualised sales, our inventory of S\$3.7 million at the end of FY2017 (S\$3.3 million at end-FY2016) was 6.4% (6.4% at end of FY2016). Inventory written off in FY2017 totaled S\$102k, as compared to S\$76k in FY2016.

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2017	S\$889,904	S\$1,319,309	S\$227,880	S\$2,657,198	S\$5,094,291
	% of sales					8.9%
	FY2016	S\$769,584	S\$372,405	S\$1,782,395	S\$1,171,437	S\$4,095,821
	% of sales					8.0%

During FY2017, the Group's capital expenditures totaled just under S\$5.1 million. This included investments of about S\$0.3 million on computer hardware and software and approximately S\$4.7 million new equipment for our five factories. During FY2016, the Group invested just under S\$4.1 million.

Cash Flow Analysis

The Group generated net cash from operations of S\$18.1 million in FY2017 (S\$16.3 million in FY2016). After deducting net investing activities of S\$4.9 million and S\$9.7 million for financing activities mainly for the payment of dividends in respect of FY2016 and 1H17, we closed the year with a cash balance of S\$23.4 million including S\$0.2 million in pledged deposits.

Dividend Payment

The Board of Directors is recommending a final dividend of 4.0 cents and a special dividend of 1.0 cent per share (one tier tax-exempt) in respect of FY2017. If approved by shareholders at the Annual General Meeting to be held on 30 October 2017, the dividend will be paid on 17 November 2017.

Together with the interim dividend of 3.0 cents per share (one tier tax-exempt) paid on 27 February 2017, the Group's total dividend for FY2017 would be 8.0 cents per share (one tier tax-exempt). The total payout for FY2017 will amount to S\$11.1 million (S\$8.3 million in FY2016).

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement had been issued for the current financial reporting year. There is no material variance from our previous financial year commentary under Section 10.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

According to data from the Semiconductor Industry Association, worldwide sales of semiconductors during 4Q17 increased 23.7% over the same period last year. In line with the market's growth, Micro-Mechanics reported an increase in Group revenue of 19.5% to \$15.4 million during 4Q17 from \$12.9 million in the same period a year ago. For the full year, Group revenue increased 11.7% to a record S\$57.2 million from S\$51.3 million in the previous year.

While growing the Group's top line and the value we create for our customers remains a key priority, we have also been working tirelessly to improve our GP margin by focusing on various strategies, such as *24/7 Machining*, IT automation and department integration to improve efficiency and operational effectiveness. Based on these and other efforts, our GP margin in FY2017 increased to 57.4% from 56.9% in FY2016.

Similarly, we worked diligently throughout the year to keep a tight rein on overhead expenses. Despite escalating cost pressures in many of the markets where we operate, total distribution, administrative and other expenses including other income increased by just 6.8% during the year to S\$14.4 million from S\$13.4 million in FY2016. Indeed, when measured as a percentage of sales, the Group's overhead expenses declined to 25.1% from 26.2% during FY2016.

We have also been able to maintain a lean manpower structure as a consequence of our many improvement initiatives. Although we added 34 people to end FY2017 with a headcount of 465, these personnel additions were mainly in non-supervisory and production roles aimed at strengthening our core manufacturing and delivery responsiveness. As we move forward, we intend to continue automating our operations and building improved processes.

After deducting taxes of S\$3.7 million (S\$3.8 million in FY2016), the Group reported a record net profit of S\$14.8 million during FY2017, an increase of 24.2% from S\$11.9 million during the previous year. For 4Q17, the Group's net profit also reached a quarterly record of S\$4.6 million, an increase of 60.9% from S\$2.8 million during the same quarter a year ago.

With no bank borrowings to service and a careful watch over inventory and receivables, net cash generated from operating activities during FY2017 totaled S\$18.1 million (S\$16.3 million for FY2016). After net investing activities of S\$4.9 million (S\$3.7 million in FY2016), primarily for the purchase of new equipment, and paying interim and final dividends totalling S\$9.7 million (S\$7.0 million during FY2016), the Group ended the year in a strong financial position with S\$23.4 million in cash (including S\$0.2 million held as security deposits) and no bank borrowings.

As China continues to develop into a major center for global chip manufacturing, we remain focused on building an operation there capable of fast, effective and local support. During FY2017, the Group's sales in China increased 4% to S\$14.8 million. At 26% of Group sales (28% during FY2016), China remains our largest geographical market.

During FY2017, our revenue in Malaysia increased 12% to S\$11.9 million from S\$10.6 million during the previous year. At 21% of Group revenue, Malaysia is our second-largest geographical market. Together with the USA (16%), Taiwan (9%), The Philippines (9%) and Singapore (8%), these six countries represent nearly 90% of the Group's business. As such, with factories in China, Malaysia, the Philippines, Singapore, the USA, and our sales office in Taiwan, the Group is well-positioned to provide fast, effective and local support to our customers in these major market areas.

At the beginning of FY2017 we announced the cessation of our efforts at our subsidiary in the USA (“MMUS”) to make parts for equipment makers in various industries including semiconductor, aerospace, laser and other high-technology industries. After evaluating the engineering and investment requirements for success in each of these different market segments, and after making promising inroads with several leading makers of semiconductor wafer-fabrication equipment, we decided instead to align our efforts at MMUS with the Group’s core business of manufacturing process critical parts and tools primarily for the semiconductor industry.

Due to this common focus, MMUS made steady progress in every quarter of FY2017. In 4Q17, MMUS registered revenue of S\$2.9 million (an increase of 55.8% over the same period a year ago) and a profit of S\$0.2 million. Although MMUS incurred a full-year loss of S\$0.6 million in FY2017, this included non-cash depreciation expenses of S\$1.4 million and engineering expenses of S\$1.8 million. With these encouraging results, growing customer engagement and an increasingly positive outlook for the semiconductor industry, we believe our strategy of focusing the Group’s five plants on the semiconductor industry is the right approach.

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 coupled with rapid technological change and the effects of globalization make markets unpredictable, volatile and cost-competitive.

According to statistics compiled by the SIA, world-wide chip sales increased about 20.8% during the six-month period from January through June 2017. The WSTS recently revised its growth forecast for world-wide semiconductor sales to 11.5% from its previous prediction of 6.5% growth and we believe the robust first-half start to the year may indicate a prolonged period of stronger industry growth as chips become increasingly used in nearly every aspect of modern life. While this would be a welcome change from the sluggish industry conditions witnessed during 2016, the semiconductor industry is being increasingly driven by price-sensitive consumer applications. As such we expect to see continued price and cycle-time pressures from our customers. Together with rising costs and a shortage of skilled workers, the operating environment for the Group is expected to remain challenging.

Key Operating Strategies

Despite these market and business conditions, 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 part used in a critical wafer-processing application, our mission is to deliver *Perfect Parts and Tools, On Time, Every Time* based on repeatable, scalable and cost-effective processes.

At Micro-Mechanics, we are fond of saying that *People Make Everything Happen*. Dealing with relentless cost pressures, adapting to rapid change and implementing new initiatives to improve key outcomes requires an effective culture. We define this as *the way our people make decisions and work together*. To be successful over the long-term, it is essential for our people at all levels to understand, embrace and act in ways that are consistent with our vision, mission, goals, strategies and core values. We intend to keep learning how to better harness the enormous potential of every person at Micro-Mechanics to make better decisions, be more effective and thereby enhance the value we create for our customers and other stakeholders.

To support this aim we began a training program several years ago called *MM University*. Beginning with a series of workshops on *Customer Value, Business Planning, 24/7Machining*, and *The Fundamentals of Value-Driven Decision Making*, our initial goal was to help our people understand the need to have a shared framework for making more informed and aligned decisions.

During the last few years, we have learned that it takes more than a series of workshops to build an effective decision-making framework and culture. Additionally, the training material needs to be easy for our people at all levels to understand and reference in their daily work and decision making. To this end, we completed the Group’s second textbook during FY2017. This textbook is designed to clearly explain the fundamentals of our repeatable, scalable and cost-effective methodology which we refer to as *24/7 Machining*. Ultimately, we want everyone at Micro-Mechanics to have the tools they can refer to and use every day as they make decisions, take actions and help us build a great company.

Transparency and Governance

On 18 July 2017, we received the Gold Award for *Best Managed Board* at the Singapore Corporate Awards (SCA) 2017 which was the fourth time Micro-Mechanics has been recognised for our board management by the SCA. The Group also received the Gold Award for *Best Investor Relations*, which was our seventh award in this

category. Including these two awards, the Group has received recognition 23 times since our listing 2003 for our good corporate governance and transparency practices.

In addition to these recent awards, in the Singapore Governance and Transparency Index (SGTI) released on 2 August 2017, Micro-Mechanics received a score of 92 points to rank 19th out of 606 companies listed on the Singapore Exchange. The top 20 companies in the SGTI are mainly large capitalisation companies. In recognition of our efforts, the Group received a Special Commendation Award at the Singapore Governance and Transparency Forum 2017 on 1 August 2017.

Transparency and good governance are more than just ticking boxes. Indeed, accurate, complete and timely information is the foundation for sound decision making – not just for investors – but for everyone at Micro-Mechanics from the board room to the shop floor. We intend to continue working to build a strong corporate culture based on transparency, clear metrics of performance, stakeholder accountability and an unwavering commitment to good governance.

Appreciation and Stakeholder Value

Since our listing we have also maintained a consistent practice of rewarding shareholders for their continuous support of Micro-Mechanics. For the half year ended 31 December 2016, the Group paid an interim dividend of 3 cents per ordinary share (one-tier tax exempt). Subject to approval at the upcoming Annual General Meeting on 30 October 2017, we plan to distribute a final dividend of 4 cents and a special dividend of 1 cent per ordinary share. This will bring the total dividend payment for FY2017 to 8 cents per ordinary share compared with 6 cents per ordinary share for FY2016.

Including the proposed final dividend and special dividend, we will have distributed a total of 53.9 cents per share to our shareholders since 2003. Based on dividends alone, this translates into a return of nearly 300% for our shareholders who bought Micro-Mechanics shares at our Initial Public Offer.

We would also like to express our appreciation to all of our people at Micro-Mechanics for their vision, teamwork and tireless commitment. Indeed, *People Make Everything Happen!*

We look forward to continue working together to build value for all our stakeholders.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes

Name of	Interim Dividend paid on 27 February 2017	Final Dividend Recommended by Directors on 28 August 2017
Dividend Type	Cash	Cash
Dividend Amount	Interim dividend 3.0 cents per ordinary share (one tier tax-exempt)	Final dividend 4.0 cents per ordinary share (one tier tax-exempt) Special dividend 1.0 cent per ordinary share (one tier tax-exempt)
Tax rate	0% (one tier tax-exempt)	0% (one tier tax-exempt)

The directors have recommended a final dividend of 4.0 cents and a special dividend of 1.0 cent per ordinary share (one tier tax-exempt) amounting to approximately S\$6.95 million.

(b) Corresponding Period of the Immediately Preceding Financial Year

A final dividend of 3.0 cents and special dividend of 1.0 cent per ordinary share (one tier tax-exempt) in respect of FY2016 was approved during the Annual General Meeting held on 28 October 2016 and paid on 18 November 2016.

An interim dividend of 2.0 cent per ordinary share (one tier tax-exempt) was paid on 25 February 2016 in respect of financial year ended 30 June 2016.

(c) Date payable

Payment of the dividend, if approved by the members at the Twenty-First Annual General Meeting to be held on 30 October 2017, will be paid on 17 November 2017.

(d) Books closure 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 8 November 2017 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 7 November 2017 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 7 November 2017 will be entitled to the proposed dividend.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable

13. Interested Persons Transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

For the financial year ended 30 June 2017, the Group has made rental payment of US\$350,000 (30 June 2016: US\$338,000) to Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

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.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Operating Segments FY2017

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Total revenue from external customers	15,615,344	12,589,352	5,385,006	9,494,141	14,145,822	-	57,229,665
Inter-segment revenue	6,266,911	1,198,573	569,427	190	1,544	(8,036,645)	-
Total revenue	21,882,255	13,787,925	5,954,433	9,494,331	14,147,366	(8,036,645)	57,229,665
Segment result	7,000,815	6,484,760	2,274,665	(609,007)	4,261,120	(366,082)	19,046,271
Unallocated expenses							(543,434)
Profit from operations							18,502,837
Income tax expense							(3,740,620)
Net profit for the year							14,762,217
Segment asset	24,051,148	13,093,636	3,472,063	10,069,319	10,588,843	(7,257,588)	54,017,421
Unallocated assets							11,577,701
Others							65,595,122
Total assets							65,595,122
Segment liabilities	3,343,553	1,015,688	3,154,394	8,141,292	1,961,652	(9,776,350)	7,840,229
Unallocated liabilities							2,733,590
Income tax							250,000
Others							10,823,819
Total liabilities							10,823,819
Other segment information:							
Capital expenditure	2,070,002	1,335,329	462,680	275,691	950,589	-	5,094,291
Depreciation	1,359,548	652,256	443,029	1,388,535	494,509	-	4,337,877
Non-current assets (excluding deferred tax assets)	11,670,204	4,908,915	1,752,262	7,154,904	2,741,962	(1,631,505)	26,596,742

Major customers

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	\$	\$	\$	\$	\$	\$
2017						
Revenue	-	2,130,014	2,771,159	8,315,396	2,260,970	15,477,539
Number of customers	-	1	3	4	1	9

Operating Segments FY2016

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Total revenue from external customers	13,422,511	11,296,057	4,752,731	7,996,850	13,782,893	-	51,251,042
Inter-segment revenue	5,455,914	1,271,080	452,934	4,960	-	(7,184,888)	-
Total revenue	18,878,425	12,567,137	5,205,665	8,001,810	13,782,893	(7,184,888)	51,251,042
Segment result	6,187,255	5,655,954	1,970,272	(1,690,860)	4,360,914	2,786,200	19,629,735
Unallocated expenses							(3,577,453)
Profit from operations							15,692,282
Income tax expense							(3,808,873)
Net profit for the year							11,883,409
Segment asset	21,904,771	11,502,665	3,143,513	10,113,881	9,880,391	(6,819,269)	49,725,952
Unallocated assets							9,610,204
Others							
Total assets							59,336,156
Segment liabilities	4,334,222	799,205	2,800,234	6,666,704	1,600,560	(10,615,079)	5,585,846
Unallocated liabilities							
Income tax							2,904,288
Others							602,475
Total liabilities							9,092,609
Other segment information:							
Capital expenditure	705,356	632,089	857,854	889,450	1,011,072	-	4,095,821
Depreciation	1,274,117	717,732	448,339	1,362,637	620,069	-	4,422,894
Non-current assets (excluding deferred tax assets)	9,406,222	4,307,165	1,814,309	7,860,739	2,263,587	(7,240)	25,644,782

Major customers

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	\$	\$	\$	\$	\$	\$
2016						
Revenue	-	2,987,276	2,755,796	5,616,893	2,560,994	13,920,959
Number of customers	-	2	4	4	1	11

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable

17. A breakdown of sales.

	Group	Group	Increase/
	FY2017	FY2016	(decrease)
	S\$	S\$	
Sales reported for first half year	27,540,263	25,793,047	6.8%
Operating profit after tax before deducting non-controlling interest reported for first half year	6,742,727	6,316,390	6.7%
Sales reported for second half year	29,689,402	25,457,995	16.6%
Operating profit after tax before deducting non-controlling interest reported for second half year	8,019,490	5,567,019	44.1%

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend

	Latest Full Year (FY2017)	Previous Full Year (FY2016)
	S\$	S\$
Ordinary	11,122,550	8,341,913
Preference	-	-
Total:	11,122,550	8,341,913

Note: The total annual dividend comprises the interim dividend of S\$4,170,956 paid on 27 February 2017 and the proposed final dividend of S\$6,951,593.

19. Report of Persons Occupying Managerial Positions who are related to a Director, Chief Executive Officer or Substantial Shareholder

Pursuant to Rule 704 (13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in Micro-Mechanics (Holdings) Ltd. (the "Company") or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

CHOW KAM WING
Company Secretary
28 August 2017