MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Third Quarter Financial Statements Announcement for the period ended 31/03/2018

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER 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.

		Group					
		Q3			Year-to-date (9 months)		
	Note	Jan to Mar 2018 S$	Jan to Mar 2017 S$	Change	Jul to Mar 2018 S$	Jul to Mar 2017 S$	Change
Revenue	(1)	16,079,175	14,241,672	12.9%	49,423,127	41,781,935	18.3%
Cost of sales	(2)	(7,114,716)	(6,064,210)	17.3%	(20,901,800)	(18,084,259)	15.6%
Gross profit		**8,964,459**	**8,177,462**	9.6%	**28,521,327**	**23,697,676**	20.4%
Other income/(expense)	(3)	289,917	(47,860)	(705.8%)	652,764	619,805	5.3%
Distribution costs	(4)	(811,041)	(807,865)	0.4%	(2,469,756)	(2,363,276)	4.5%
Administrative expenses	(5)	(2,331,692)	(2,116,174)	10.2%	(7,188,322)	(6,352,248)	13.2%
Other operating expenses	(6)	(882,406)	(886,760)	(0.5%)	(2,653,704)	(2,517,118)	5.4%
Profit from operations		**5,229,237**	**4,318,803**	21.1%	**16,862,309**	**13,084,839**	28.9%
Finance costs		-	-	-	-	-	-
Profit before income tax	(7)	**5,229,237**	**4,318,803**	21.1%	**16,862,309**	**13,084,839**	28.9%
Income tax expense	(8)	(1,118,173)	(854,641)	30.8%	(3,676,481)	(2,877,950)	27.7%
Profit after tax		**4,111,064**	**3,464,162**	18.7%	**13,185,828**	**10,206,889**	29.2%
Non-controlling interests		-	-	-	-	-	-
Profit for the period		**4,111,064**	**3,464,162**	18.7%	**13,185,828**	**10,206,889**	29.2%
Statement of Comprehensive Income							
Profit for the period		**4,111,064**	**3,464,162**	18.7%	**13,185,828**	**10,206,889**	29.2%
Other comprehensive income:							
Foreign currency translation differences for foreign operations, net of tax		363,645	(573,654)	(163.4%)	644,237	(611,503)	(205.4%)
Total comprehensive income for the period		4,474,709	2,890,508	54.8%	13,830,065	9,595,386	44.1%

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. Production headcount increased from 308 in 3Q17 to 329 in 3Q18 mainly at our Singapore plant. Depreciation for production assets increased by S$355k to S$1.3 million in 3Q18 as compared to S$949k in 3Q17 mainly due to the recognition of right-of-use assets in the current financial period (see Note 9 below) and the purchase of new machines.

(3) Other income consists of:

	Q3			Year-to-date (9 months)		
	Jan to Mar 2018 S$	**Jan to Mar 2017 S$**	**Change**	**Jul to Mar 2018 S$**	**Jul to Mar 2017 S$**	**Change**
Gain/(loss) on disposal of property, plant and equipment	126,088	(6,345)	(2087.2%)	246,841	53,013	365.6%
Interest income from banks and others	32,793	30,495	7.5%	114,540	98,743	16.0%
Rental income	29,764	28,000	6.3%	86,712	85,493	1.4%
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	43,550	55,300	(21.2%)	81,654	90,417	(9.7%)
Exchange gain/(loss)	-	(175,270)	(100%)	-	212,131	(100%)
Others	57,722	19,960	189.2%	123,017	80,008	53.8%

(4) Please refer to section 8 of this announcement for an analysis of the Groups's distribution exepenses.

(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:

	Q3			Year-to-date (9 months)		
	Jan to Mar 2018 S$	**Jan to Mar 2017 S$**	**Change**	**Jul to Mar 2018 S$**	**Jul to Mar 2017 S$**	**Change**
Depreciation of property, plant and equipment	1,240,192	1,090,201	13.8%	3,536,152	3,276,189	7.9%
Depreciation of right-of-use assets	271,222	-	n.m.	815,606	-	n.m.
Exchange loss	26,646	-	n.m.	85,811	-	n.m.
Inventories written off	24,074	23,497	2.5%	83,978	71,159	18.0%
Interest expenses	22,005	-	n.m.	63,673	-	n.m.
Property, plant and equipment written off	1,836	3	n.m.	3,297	5,713	(42.3%)

n.m. - not meaningful

(8) The effective tax rate for 3Q18 was 21.4% as compared to 19.8% in 3Q17. Included in the tax expense for the 3Q18 was a provision made of S$174k (S$58k in 3Q17) in relation to withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

(9) Depreciation for property, plant and equipment in 3Q18 increased by 13.8% to S$1.2 million from S$1.1 million in 3Q17 mainly due to new machines purchased. Depreciation of S$271k was recognised in 3Q18 for the right-of-use of assets related to the Group's leases upon the adoption of the new accounting standard FRS 116 Leases. (See Section 5 for details)

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 31 Mar 18 S$	Group 30 Jun 17 S$	Company 31 Mar 18 S$	Company 30 Jun 17 S$
Non-current assets					
Property, plant and equipment		31,464,541	26,157,348	-	-
Right-of-use assets	(1)	1,102,280	-	-	-
Subsidiaries		-	-	18,364,744	18,364,744
Trade and other receivables		258,993	439,394	3,338,526	982,318
		32,825,814	26,596,742	21,703,270	19,347,062
Current assets					
Inventories		4,291,054	3,669,372	-	-
Trade and other receivables		12,739,176	11,906,718	266,079	2,191,763
Cash and cash equivalents		18,849,031	23,422,290	7,718,852	11,554,207
		35,879,261	38,998,380	7,984,931	13,745,970
Total assets		68,705,075	65,595,122	29,688,201	33,093,032
Shareholders' equity					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(2)	(4,792,060)	(5,436,297)	-	-
Accumulated profits		46,097,628	45,424,669	14,097,190	17,961,838
		56,088,499	54,771,303	28,880,121	32,744,769
Non-current liabilities					
Deferred tax liabilities		1,709,582	1,406,658	508,565	-
Other payables & accrual	(1)	1,380,127	279,650	-	-
		3,089,709	1,686,308	508,565	-
Current liabilities					
Trade and other payables	(1)	7,848,421	7,810,579	295,325	343,311
Current tax payable		1,678,446	1,326,932	4,190	4,952
		9,526,867	9,137,511	299,515	348,263
Total liabilities		12,616,576	10,823,819	808,080	348,263
Total equity and liabilities		68,705,075	65,595,122	29,688,201	33,093,032

Notes:

(1) Right-of-use assets related mainly to leases of the various factories occupied by the Group and the recognition of the correponding lease liabilities following the adoption of the new accounting standard FRS116 Leases in the current financial period.

(2) The movement in foreign currency translation reserves was mainly due to the appreciation 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 31 Mar 18		As at 30 Jun 17	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31 Mar 18		As at 30 Jun 17	
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.

		GROUP			
		Q3		Year-to-date (9 months)	
	Note	**Jan to Mar 2018** S$	**Jan to Mar 2017** S$	**Jul to Mar 2018** S$	**Jul to Mar 2017** S$
Cash flows from operating activities					
Profit for the period		4,111,064	3,464,162	13,185,828	10,206,889
Adjustments for:					
Depreciation of property, plant and equipment and right-of-use assets		1,511,414	1,090,201	4,351,758	3,276,189
Fixed assets written off		1,836	3	3,297	5,713
(Gain)/Loss on disposal of property, plant and equipment		(126,088)	6,345	(246,841)	(53,013)
Interest income		(32,793)	(30,495)	(114,540)	(98,743)
Interest expenses		22,005	-	63,673	-
Tax expenses		1,118,173	854,641	3,676,481	2,877,950
Operating profit before changes in working capital		6,605,611	5,384,857	20,919,656	16,214,985
Inventories		7,951	(192,492)	(609,075)	(65,142)
Trade and other receivables		(355,105)	(396,170)	(591,864)	(1,127,455)
Trade and other payables		11,638	(1,203,616)	291,779	(585,562)
Cash generated from operations		6,270,095	3,592,579	20,010,496	14,436,826
Income tax paid		(1,027,654)	(993,524)	(2,875,992)	(2,752,318)
Net cash from operating activities		5,242,441	2,599,055	17,134,504	11,684,508
Cash flows from investing activities					
Purchase of property, plant and equipment	(1)	(3,362,060)	(227,880)	(9,348,988)	(2,437,093)
Proceeds from disposal of property, plant and equipment		224,661	15,793	606,750	100,393
Interest received		29,234	29,961	115,426	97,173
Net cash used in investing activities		(3,108,165)	(182,126)	(8,626,812)	(2,239,527)
Cash flows from financing activities					
Leases paid		(290,004)	-	(842,312)	-
Dividends paid	(2)	(5,561,275)	(4,170,957)	(12,512,869)	(9,732,232)
Net cash used in financing activities		(5,851,279)	(4,170,957)	(13,355,181)	(9,732,232)
Net decrease in cash and cash equivalents		(3,717,003)	(1,754,028)	(4,847,489)	(287,251)
Cash and cash equivalents at beginning of period		22,230,310	20,827,087	23,261,940	19,907,478
Effect of exchange rate fluctuations		166,174	138,852	265,030	(408,316)
Cash and cash equivalents at the end of period	(3)	18,679,481	19,211,911	18,679,481	19,211,911

Notes:

(1) The Group purchased approximately S$3.3 million of equipment for its factories in the Singapore, Malaysia, the Philippines and the USA.

(2) The Company paid an interim dividend of 4.0 cents per ordinary share (one-tier tax exempt) in respect of FY2018.

(3) Cash and cash equivalent is derived from:

	Group 31 Mar 18 S$	Group 31 Mar 17 S$
Cash and cash equivalent balances	18,849,031	19,369,811
Less: Pledged cash placed with bank	(169,550)	(157,900)
	18,679,481	19,211,911

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 2017	14,782,931	(5,436,297)	45,424,669	54,771,303
Total comprehensive income for the period				
Net profit for the period	-	-	9,074,764	9,074,764
Other comprehensive income				
Foreign currency translation differences, net of tax	-	280,592	-	280,592
Total comprehensive income for the period	-	280,592	9,074,764	9,355,356
Transactions with owners, recorded directly in equity				
Final dividend of 4 cents per share and special dividend of 1 cent per share (one-tier tax exempt) in respect of FY2017	-	-	(6,951,594)	(6,951,594)
Total transactions with owners, recorded directly in equity	-	-	(6,951,594)	(6,951,594)
As at 31 December 2017	**14,782,931**	**(5,155,705)**	**47,547,839**	**57,175,065**
As at 1 January 2018	14,782,931	(5,155,705)	47,547,839	57,175,065
Total comprehensive income for the period				
Net profit for the period	-	-	4,111,064	4,111,064
Other comprehensive income				
Foreign currency translation differences, net of tax	-	363,645	-	363,645
Total comprehensive income for the period	-	363,645	4,111,064	4,474,709
Transactions with owners, recorded directly in equity				
Interim dividend of 4 cents per share (one-tier tax exempt) in respect of FY2018	-	-	(5,561,275)	(5,561,275)
Total transactions with owners, recorded directly in equity	-	-	(5,561,275)	(5,561,275)
As at 31 March 2018	**14,782,931**	**(4,792,060)**	**46,097,628**	**56,088,499**

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
	S$	S$	S$	S$
The Company				
As at 1 July 2017	**14,782,931**	**-**	**17,961,838**	**32,744,769**
Total comprehensive income for the period				
Net profit for the period	-	-	5,219,113	5,219,113
Total comprehensive income for the period	-	-	5,219,113	5,219,113
Transactions with owners, recorded directly in equity				
Final dividend of 4 cents per share and special dividend of 1 cent per share (one-tier tax exempt) in respect of FY2017	-	-	(6,951,594)	(6,951,594)
Total transactions with owners, recorded directly in equity	-	-	(6,951,594)	(6,951,594)
As at 31 December 2017	**14,782,931**	**-**	**16,229,357**	**31,012,288**
As at 1 January 2018	**14,782,931**	**-**	**16,229,357**	**31,012,288**
Total comprehensive income for the period				
Net profit for the period	-	-	3,429,108	3,429,108
Total comprehensive income for the period	-	-	3,429,108	3,429,108
Transactions with owners, recorded directly in equity				
Interim dividend of 4 cents per share (one-tier tax exempt) in respect of FY2018	-	-	(5,561,275)	(5,561,275)
Total transactions with owners, recorded directly in equity	-	-	(5,561,275)	(5,561,275)
As at 31 March 2018	**14,782,931**	**-**	**14,097,190**	**28,880,121**

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 31 March 2018 and 31 March 2017. The Company did not have any treasury shares as at the end of the current financial period or at the end of the immediately preceding year.

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 Group's 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.

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared to the most recent audited financial statements for the financial year ended 30 June 2017.

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.

The Group has early adopted FRS 115 Revenue from Contracts with Customers and FRS 116 Leases with a date of initial application of 1 July 2017.

FRS 115
FRS 115 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It supersedes existing revenue recognition guidance, including FRS 11 Construction Contracts, FRS 18 Revenue, INT FRS 113 Customer Loyalty Programmes, and INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfer of Assets from Customers and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services.

For the period ending 31 March 2018, there was no material impact on the results and financial position of the Group arising from the adoption of FRS 115.

FRS 116
FRS 116 Leases eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. The lessee is required to recognize right-of-use (ROU) assets and lease liabilities for all leases with term of more than 12 months, unless the underlying asset is of low value. The lessor continues to classify its leases as operating leases or finance leases with more extensive disclosures. It supersedes existing lease accounting guidance, including FRS 17 Leases, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating leases – incentives, and INT FRS27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Applying FRS 116, the Group has, on 1 July 2017, recognised operating factory leases as ROU assets with the corresponding lease liabilities based on the present value computed. For the period ending 31 March 2018, the Group recognised depreciation charge in relation to these ROU assets of S$816k and interest expense on unwinding of lease liabilities amounting to S$64k was recorded in the income statement.

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.

	GROUP			
	Q3		Year-to-date (9 months)	
	Jan to Mar 2018	**Jan to Mar 2017**	**Jul toMar 2018**	**Jul toMar 2017**
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	2.96 cents	2.49 cents	9.48 cents	7.34 cents
(ii) On a fully diluted basis	2.96 cents	2.49 cents	9.48 cents	7.34 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 (31 March 2017: 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 31 Mar 18	Group 30 Jun 17	Company 31 Mar 18	Company 30 Jun 17
Net Asset Value per ordinary share (cents)	40.34	39.39	20.77	23.55

The net asset value per ordinary share is calculated based on net assets of S$56.1 million (30 June 2017: S$54.8 million) and 139,031,881 (30 June 2017: 139,031,881) shares in issue at the end of the currrent 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

Following record annual sales of US$412.2 billion in 2017, worldwide chip sales for the two months of January and February 2018 registered an increase of about 22% to US$74.4 billion, compared to US$61.0 billion in the corresponding period of 2017, according to statistics compiled by the Semiconductor Industry Association (SIA).

The SIA said the global semiconductor market continued to demonstrate substantial and consistent growth in February 2018, notching its 19th consecutive month of year-on-year sales increases and growing by double-digit percentages across all major regional markets. It also said year-on-year chip sales were up across all major semiconductor product categories.

In its latest Semiconductor Market Forecast released on 28 February 2018, the World Semiconductor Trade Statistics (WSTS) projects worldwide chip sales to be strong with 9.5% growth to US$451 billion in 2018.
The WSTS said the largest growth during 2018 is expected across memory, optoelectronics and logic with all products contributing to growth. All regional markets are also expected to show growth in 2018.

Group Revenue

		1Q	2Q	3Q	4Q	Full Year
REVENUE	**FY2018**	**S$17,694,454**	**S$15,649,498**	**S$16,079,175**	**NA**	**NA**
	FY2017	**S$13,358,519**	**S$14,181,744**	**S$14,241,672**	**S$15,447,730**	**S$57,229,665**
	% growth	**32.5%**	**10.3%**	**12.9%**	**NA**	**NA**

For the three months ended 31 March 2018 (3Q18), the Group's revenue increased 12.9% year-on-year (yoy) to S$16.1 million from S$14.2 million in 3Q17. This was driven mainly by higher sales in China, the Philippines and the USA.

On a quarter-on-quarter (qoq) basis, Group revenue in 3Q18 increased 2.7% from 2Q18 due mainly to higher sales to customers in China, Taiwan and the USA.

For the nine months ended 31 March 2018 (9M18), Group revenue increased 18.3% to S$49.4 million from S$41.8 million in 9M17 due mainly to higher sales in Singapore, China, the Philippines and the USA.

Revenue breakdown by Geographical Market

Country	Group										
	2Q18	3Q18		3Q17		%	9M18		9M17		%
	S$ m	S$ m	%	S$ m	%	change	S$ m	%	S$ m	%	change
Singapore	1.3	1.2	7.5%	1.2	8%	(1.3%)	4.3	8.7%	3.3	8%	32.2%
Malaysia	2.9	2.8	17.7%	2.8	19%	2.7%	9.2	18.7%	8.9	21%	4.4%
Philippines	1.6	1.6	9.7%	1.2	9%	28.3%	4.8	9.8%	3.6	9%	32.4%
Thailand	0.3	0.3	1.9%	0.4	3%	(30.4%)	0.9	1.8%	1.2	3%	(29.2%)
China	4.1	4.4	27.2%	3.7	26%	18.3%	13.7	27.7%	10.8	26%	26.6%
USA	3.0	3.2	19.6%	2.4	17%	29.5%	8.9	18.0%	6.4	15%	39.1%
Europe	0.6	0.6	4.1%	0.6	4%	18.3%	1.9	3.8%	1.7	4%	11.4%
Japan	0.3	0.3	1.8%	0.2	2%	25.8%	0.9	1.9%	0.8	2%	9.5%
Taiwan	1.0	1.2	7.5%	1.3	9%	(4.4%)	3.4	6.9%	3.8	9%	(9.8%)
Rest of world	0.5	0.5	3.0%	0.4	3%	15.4%	1.4	2.7%	1.3	3%	8.3%
Total	15.6	16.1	100%	14.2	100%	12.9%	49.4	100%	41.8	100%	18.3%

In 3Q18, the Group witnessed improved yoy sales in the majority of its markets, particularly in China, the Philippines and the USA. Sales in China increased 18.3% to S$4.4 million in 3Q18 to remain as our largest geographical market with a 27.2% contribution to Group revenue. Sales in the USA recorded an increase of 29.5% to S$3.2 million in 3Q18, making it our second largest market with 19.6% of Group revenue.

Sales in Malaysia was maintained at S$2.8 million in 3Q18 and accounted for 17.7% of Group revenue. Sales to customers in the Philippines increased 28.3% to $1.6 million while sales to the Japan market increased 25.8% to S$0.3 million.

For 9M18, China was our largest market with a contribution of 27.7% to Group revenue, followed by Malaysia and the USA with revenue contributions of 18.7% and 18.0% respectively.

Capacity Utilisation

		1Q	2Q	3Q	4Q	Full Year
Capacity Utilisation	FY2018	64%	62%	59%	NA	NA
	FY2017	56%	56%	59%	62%	58%

Our average capacity utilisation rate remained at 59% in 3Q18 compared to 3Q17 as additional production equipment had been installed over the course of the two periods.

Gross Profit (GP) Margin

		1Q	2Q	3Q	4Q	Full Year
Group GP Margin	FY2018	60.9%	56.1%	55.8%	NA	NA
	FY2017	57.3%	55.4%	57.4%	59.4%	57.4%

The Group's gross profit increased 9.6% to S$9.0 million in 3Q18 from S$8.2 million in 3Q17. The Group's GP margin in 3Q18 eased to 55.8%, as compared to 57.4% in 3Q17, attributable mainly to an increase in our production headcount as well as higher depreciation expenses for additional machines and the recognition of right-of-use assets.

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
	FY2018 % of sales	S$4,077,376 23.0%	S$3,846,420 24.6%	S$3,735,222 23.2%	NA	NA
	FY2017 % of sales	S$3,156,679 23.6%	S$3,597,499 25.4%	S$3,858,659 27.1%	S$3,752,277 24.3%	S$14,365,114 25.1%

The Group recorded other income of S$290k in 3Q18 due mainly to a net gain of S$126k from the disposal of various machines. We maintained tight control over our expense structure during 3Q18. Our distribution costs of S$811k and other operating expenses of S$882k were comparable to their respective amounts in 3Q17. Administrative expenses increased 10.2% to S$2.3 million in 3Q18 from S$2.1 million in 3Q17 due mainly to an increase in headcount and performance bonus expenses. In aggregate, our administrative, distribution and other operating expenses (inclusive of other income) in 3Q18 reduced to S$3.7 million from S$3.9 million in 3Q17. As a percentage of Group sales, these overhead expenses decreased to 23.2% in 3Q18 from 27.1% in the same quarter a year ago.

Profit before Tax and Net Profit

		1Q	2Q	3Q	4Q	Full Year
Net Profit after tax	**FY2018**	**S$5,170,990**	**S$3,903,774**	**S$4,111,064**	**NA**	**NA**
	FY2017	**S$3,380,488**	**S$3,362,239**	**S$3,464,162**	**S$4,555,328**	**S$14,762,217**
	% growth	**53.0%**	**16.1%**	**18.7%**	**NA**	**NA**

As a result of the above, the Group recorded a 21.1% increase in profit before tax to S$5.2 million in 3Q18 from S$4.3 million in 3Q17. After deducting income tax of S$1.1 million in 3Q18 (S$0.9 million in 3Q17), the Group's net profit increased 18.7% to S$4.1 million in 3Q18 from S$3.5 million in 3Q17. Net profit margin in 3Q18 improved to 25.6% as compared to 24.3% in 3Q17 and 24.9% in 2Q18.

The effective tax rate for 3Q18 was 21.4% as compared to 19.8% for 3Q17. Tax expense for the quarter included a provision of S$174k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

For 9M18, the Group's net profit increased 29.2% to S$13.2 million from S$10.2 million in 9M17. Net profit margin improved to 26.7% in 9M18 as compared to 24.4% in 9M17. Correspondingly, the Group's earnings per share grew to 9.48 cents in 9M18 from 7.34 cents in 9M17.

Balance Sheet

The Group remains in a sound financial position. As at 31 March 2018, we had a balance sheet with total assets of S$68.7 million, shareholders' equity of S$56.1 million, cash and cash equivalents of S$18.8 million and no bank borrowings.

Long Term Assets

As at 31 March 2018, the Group's non-current assets increased to S$32.8 million as compared to S$26.6 million as at 30 June 2017.This was partly due to the recognition of right-of-use assets which amounted to S$1.1 million, in relation to the various factories that the Group occupies, following the adoption of FRS116 Leases in the current financial year.

Trade Receivables

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	**FY2018**	**S$13,623,255**	**S$10,967,376**	**11,707,701**	**NA**
	≥ 90 days	**2.2%**	**-**	**0.5%**	**NA**
	Write-off	**-**	**-**	**-**	**NA**
	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	**-**	**-**	**-**	**-**

Total trade receivables as at 31 March 2018 increased to S$11.7 million as compared to S$11.0 million as at 31 December 2017, in tandem with higher sales in 3Q18. Of this, 0.5% was outstanding for 90 days or more (NIL as at at 30 Jun 2017). The Group also did not incur any bad debt expenses during the nine month period in FY2018 (NIL during FY2017).

Trade & Other Payables

As at 31 March 2018, our trade payables totaled S$1.1 million, of which S$400 was outstanding for 30 days or more. Non-trade payables totaled S$2.6 million. Other accrued expenses stood at S$5.5 million.

Long term liablities

As at 31 March 2018, the Group's deferred tax liabilities totaled S$1.7 million as compared to S$1.4 million as at 30 June 2017. With the adoption of the new accounting standard FRS116 Leases at the beginning of the current financial period, the Group recorded lease liabilities of S$1.1 million.

Inventory

As a percentage of annualised sales, our inventory of S$4.3 million as at 31 March 2018 (S$3.7 million as at 30 June 2017) was 6.5% (6.4% as at 30 June 2017). Inventory written off during 9M18 totaled S$84k, as compared to S$71k in the corresponding nine months of FY2017.

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	**FY2018**	**S$2,154,551**	**S$3,832,377**	**S$3,362,060**	**NA**	**NA**
	% of sales					
	FY2017	**S$889,904**	**S$1,319,309**	**S$227,880**	**S$2,657,198**	**S$5,094,291**
	% of sales					**8.9%**

The Group made capital investments of S$3.4 million in 3Q18 which was mainly for new machines to increase both the manufacturing capacities and capabilities of our factories in Singapore, Malaysia, the Philippines and the USA. For 9M18, our capital expenditure amounted to S$9.3 million. We expect our capital expenditure to reach approximately S$10.0 million in FY2018

Cash Flow Analysis

The Group generated net cash from operations of S$5.2 million in 3Q18 (S$2.6 million in 3Q17). Net cash used for investing activities amounted to S$3.1 million which was mainly for capital expenditure. After distributing an interim dividend of S$5.6 million during the quarter, we closed the period with cash and cash equivalents of S$18.8 million, including S$170k in pledged deposits.

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.

During 3Q18, Group revenue increased 12.9% to S$16.1 million from S$14.2 million during the same period a year ago. Group profit before tax rose 21.1% to S$5.2 million from S$4.3 million during 3Q17.

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 enhance our manufacturing processes, productivity and cost structure by focusing on various strategies, such as *24/7Machining,* IT automation and department integration. In spite of ongoing selling-price pressures and increased costs due mainly to additional depreciation and personnel-related expenses, our GP margin in 3Q18 remained healthy at 55.8% (57.4% in 3Q17).

We are also continuing to work diligently to keep a tight rein on overhead expenses. During 3Q18, total distribution, administrative and other expenses including other income totalled S$3.7 million which was a marginal decrease from S$3.9 million during 3Q17. When measured as a percentage of sales, these overhead costs declined to 23.2% from 27.1% during 3Q17. After deducting taxes of S$1.1 million (S$0.85 million in 3Q17), the

Group reported a net profit of S$4.1 million in 3Q18, an increase of 18.7% from S$3.5 million in the same quarter a year ago.

At the end of 3Q18, the Group employed 475 great people. Compared with our yoy sales growth of 18.3% during 9M18, this was an addition of just nine people or 1.9% to the 466 employees with the Group at the end of FY2017. As the Group grows, we plan to continue improving our efficiency and productivity by automating our operations, streamlining our processes and using technology to leverage the know-how and skills of our people.

With no bank borrowings to service and a careful watch over inventory and receivables, net cash generated from operating activities in 3Q18 totaled S$5.2 million (S$2.6 million for 3Q17). After net investing activities of S$3.1 million, primarily for new equipment and a dividend payment of S$5.6 million, the Group ended the quarter in a strong financial position with S$18.8 million in cash (including S$0.2 million held as security deposits) and no bank borrowings.

Market, Industry and Competitive Conditions
According to statistics compiled by the SIA, world-wide chip sales during 2017 increased about 21.6% to a record US$412.2 billion from S$334.7 billion in 2016. During this same twelve-month period, the Group's revenue grew 18.9% to S$63.0 million from S$53.0 million in 2016. Although the chip industry's strong growth has continued into 2018 with worldwide sales up 21.8% during the first two months of this year, the WSTS expects the industry's growth to moderate to about 9.5% for 2018.

Indeed, we witnessed a moderation in manufacturing activity in Asia during 3Q18 which resulted in the slower Group sales growth of 12.9%. As we move into 4Q18, we will be watching carefully for further signs of tapering demand. In the long term however, we continue to believe that the semiconductor industry is poised for a prolonged period of solid growth as chips become increasingly embedded in nearly every aspect of modern life from today's smart phones to tomorrow's driverless cars.

Without a doubt, the semiconductor industry is a global battle ground for some of the best and strongest companies in the world. Together with constantly evolving technologies, a shortage of skilled personnel and accelerating cost pressures, the Group operates in a keenly competitive and challenging environment.

Our semiconductor tooling business, which operates from our four plants in Asia, designs and manufactures process-critical precision tools for the assembly of semiconductors and serves a world-wide customer base. While we are not aware of a similar company that is directly comparable to Micro-Mechanics in terms of product range, scale and geographical coverage, our semiconductor tooling business does face a variety of competitors ranging from small machine shops to several multi-national companies.

The Group's initiative to manufacture process-critical parts for makers of wafer-fabrication equipment, which is supported by our factory in the Silicon Valley, faces a different set of competitive challenges. While this business has a much larger addressable market than our semiconductor tooling business, there are also entrenched suppliers including some of the world's biggest contract manufacturers. As a result, we are working to become a new breed of supplier with competitive advantages so far not seen in terms of quality, repeatability and efficiency.

Key Operating Strategies
While short-term business planning and forecasting remains difficult and clouded by a host of political and economic uncertainties, we understand what is required for the Group to sustain its growth over the long term. We will maintain our 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 have an ongoing training program called *MM University* to help our people understand the need to have a shared framework for making more informed and aligned decisions. It began with a series of workshops on *Customer Value*, *Business Planning*, *24/7Machining*, and *The Fundamentals of Value-Driven Decision Making*.

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. 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 are working to compile a series of textbooks designed to clearly explain the fundamentals of how we are working to run the company.

During 3Q18, we released the second edition of *24/7 Decision Making™*. This enhanced version of our employee text book includes new training material on *Corporate Governance* which is our core methodology for guiding and controlling the Group. When practiced with understanding and commitment, we believe Corporate Governance is the nucleus of all of our many efforts to build long-term growth, profitability and stakeholder value.

Indeed, transparency and good governance are more than just ticking boxes. 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.

In our latest version of *24/7 Decision Making™*, we have also included additional training material on the importance of safeguarding confidential information, as well as simple best practices for everyone at Micro-Mechanics from the shop floor to the board room with respect to dealing in shares of the Company. 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.

On 18 April 2018, Micro-Mechanics was announced as the inaugural winner of a Productivity Award conferred by the Singapore Precision Engineering and Technology Association ("SPETA") in partnership with Singapore Institute of Manufacturing Technology ("SIMTech"). This award from SPETA and SIMTech is to encourage higher productivity in Singapore's precision engineering industry. Micro-Mechanics was also a winner of the Singapore Productivity Awards 2017 by the Singapore Business Federation ("SBF") in November 2017. These awards are an endorsement of our continuing efforts to improve efficiency and raise productivity of our operations.

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 FY2017, the Group paid an interim dividend of 3 cents per ordinary share, a final dividend of 4 cents per ordinary share, and a special dividend of 1 cent per ordinary share. As a result, the total dividend payment for FY2017 increased to 8 cents per ordinary share compared to 6 cents per ordinary share for FY2016.

For the half year ended 31 December 2017, the Board declared an interim dividend of 4 cents per ordinary share (one-tier tax exempt) totaling S$5.6 million which was paid on 13 February 2018. Including this interim dividend for 1H18, we have distributed a total of 57.9 cents per share to our shareholders since 2003. Based on dividends alone, this translates into a return of more than 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?

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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 period 9 months ended 31 March 2018, the Group has made rental payment of US$270,000 (31 March 2017: US$261,000) 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 pursuant to Rule 705(5) of the Listing Manual

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results of the Group and of the Company for the financial period ended 31 March 2018 to be false or misleading in any material aspect.

15. 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)

16. 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.

Not applicable

17. 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

18. A breakdown of sales.

Not applicable

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

Not applicable

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

Not applicable

BY ORDER OF THE BOARD

CHOW KAM WING
Company Secretary
28 April 2018