MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Full Year Financial Statements Announcement for the year ended 30/06/2018

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 FY2018 S$	**Group FY2017 S$**	**Change**
Revenue	(1)	65,101,858	57,229,665	13.8%
Cost of sales	(2)	(28,012,129)	(24,361,714)	15.0%
Gross profit		**37,089,729**	**32,867,951**	12.8%
Other income	(3)	777,282	724,740	7.2%
Distribution costs	(4)	(3,238,392)	(3,150,117)	2.8%
Administrative expenses	(5)	(9,252,145)	(8,591,240)	7.7%
Other operating expenses	(6)	(3,526,127)	(3,348,497)	5.3%
Profit from operations		**21,850,347**	**18,502,837**	18.1%
Finance costs		-	-	-
Profit before income tax	(7)	**21,850,347**	**18,502,837**	18.1%
Income tax expense	(8)	(4,706,833)	(3,740,620)	25.8%
Profit after tax		**17,143,514**	**14,762,217**	16.1%
Non-controlling interests		-	-	-
Profit for the year		**17,143,514**	**14,762,217**	16.1%
Statement of Comprehensive Income				
Profit for the year		**17,143,514**	**14,762,217**	16.1%
Other comprehensive income:				
Item that is or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations, net of tax		855,088	(502,230)	(270.3%)
Item that will not be reclassified to profit or loss:				
Remeasurement income on retirement benefits		50,708	-	n.m.
Related tax		(3,203)	-	n.m.
Total comprehensive income for the year		**18,046,107**	**14,259,987**	**26.6%**

Notes:

(1) Please refer to section 8 of this announcement for an analysis of the Group's revenue.

(2) Cost of sales increased in tandem with the increase in revenue. Production headcount increased to 339 in FY2018 from 319 in FY2017. Depreciation for production assets increased by S$1.3 million to S$5.1 million in FY2018 as compared to S$3.8 million in FY2017 due mainly to the recognition or right-of-use assets in the current financial period and the purchase of new machines. (See Note 7 below).

3) Other income consists of:

	FY2018 S$	FY2017 S$	Change
Gain on disposal of property, plant and equipment	247,801	61,877	300.5%
Interest income from banks and others	157,486	130,269	20.9%
Rental income	116,471	113,886	2.3%
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	99,455	125,478	(20.7%)
Exchange gain	-	173,511	(100.0%)
Others	156,069	119,719	30.4%

n.m.: not meaningful

(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:

	FY2018 S$	FY2017 S$	Change
Depreciation of property, plant and equipment	4,825,291	4,337,877	11.2%
Depreciation of right-of-use asset	1,083,095	-	n.m.
Exchange loss	25,720	-	n.m.
Inventories written off	111,139	101,892	9.1%
Interest expense on lease liabilities	84,035	-	n.m.
Property, plant and equipment written off	6,189	5,735	7.9%

n.m. - not meaningful

The Group's total depreciation expenses increased from S$4.3 million to S$5.9 million in FY2018, of which S$5.1 million was in relation to production assets. The increase in total depreciation expenses was due to higher depreciation for property, plant and equipment, and recognition of right-of-use of assets related to the Group's leases after adoption of accounting standard FRS 116 in FY2018 (See section 5 for details).

(8) Income tax expense for FY2018 totaled S$4.7 million of which S$617k was related to withholding tax paid and and additional S$222k for withholding tax accrued on dividends from various overseas subsidiaries.. The effective tax rate for FY2018 was 21.5% as compared to 20.2% for FY2017.

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 18 S$	Group 30 Jun 17 S$	Company 30 Jun 18 S$	Company 30 Jun 17 S$
Non-current assets					
Property, plant and equipment		33,265,855	26,157,348	-	-
Right-of-use assets	(1)	2,279,133	-		
Subsidiaries		-	-	29,095,544	18,364,744
Trade and other receivables		125,034	439,394	-	982,318
Deferred tax asset		56,529	-	-	-
		35,726,551	26,596,742	29,095,544	19,347,062
Current assets					
Inventories		4,578,394	3,669,372	-	-
Trade and other receivables		11,898,398	11,906,718	2,687,634	2,191,764
Cash and cash equivalents		21,087,382	23,422,290	2,017,182	11,554,207
		37,564,174	38,998,380	4,704,816	13,745,971
Total assets		73,290,725	65,595,122	33,800,360	33,093,033
Shareholders' equity					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(2)	(4,533,704)	(5,436,297)	-	-
Accumulated profits		50,055,314	45,424,669	18,472,255	17,961,839
		60,304,541	54,771,303	33,255,186	32,744,770
Non-current liabilities					
Deferred tax liabilities		1,476,961	1,406,658	192,772	-
Trade and other payables		595,729	279,650	-	-
Lease liabilities	(1)	1,289,588	-	-	-
		3,362,278	1,686,308	192,772	-
Current liabilities					
Trade and other payables		7,077,091	7,810,579	346,171	343,311
Lease liabilities	(1)	923,845	-		-
Current tax payable		1,622,970	1,326,932	6,231	4,952
		9,623,906	9,137,511	352,402	348,263
Total liabilities		12,986,184	10,823,819	545,174	348,263
Total equity and liabilities		73,290,725	65,595,122	33,800,360	33,093,033

Notes:

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

(2) The movement in foreign currency translation reserves in FY2018 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 30 Jun 18		**As at 30 Jun 17**	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 Jun 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.

	Note	Group FY2018 S$	Group FY2017 S$
Cash flows from operating activities			
Profit for the year		17,143,514	14,762,217
Adjustments for:			
Depreciation of property, plant and equipment		5,908,386	4,337,877
Property, plant and equipment written off		6,189	5,735
Gain on disposal of property, plant and equipment		(247,801)	(61,877)
Interest income		(157,486)	(130,269)
Interest expense on lease liabilities		84,035	-
Tax expense		4,706,833	3,740,620
Operating profit before changes in working capital		27,443,670	22,654,303
Inventories		(849,826)	(430,762)
Trade and other receivables		427,937	(2,077,984)
Trade and other payables		(846,796)	1,836,266
Cash generated from operations		26,174,985	21,981,823
Income tax paid		(3,760,766)	(3,886,695)
Net cash from operating activities		22,414,219	18,095,128
Cash flows from investing activities			
Purchase of property, plant and equipment	(1)	(12,120,713)	(5,094,291)
Proceeds from disposal of property, plant and equipment		553,957	111,177
Interest received		159,444	127,501
Net cash used in investing activities		(11,407,312)	(4,855,613)
Cash flows from financing activities			
Lease paid		(1,108,513)	-
Dividends paid	(2)	(12,512,869)	(9,732,231)
Net cash used in financing activities		(13,621,382)	(9,732,231)
Net (decrease)/increase in cash and cash equivalents		(2,614,475)	3,507,284
Cash and cash equivalents at beginning of year		23,261,940	19,907,478
Effect of exchange rate fluctuations		270,916	(152,822)
Cash and cash equivalents at the end of year	(3)	20,918,381	23,261,940

Notes:

(1) The Group invested approximately S$10.6 million in new equipment for its five factories and S$0.8 million on new company vehicles .

(2) The Company paid a final dividend of 4.0 cents and special dividend of 1.0 cent per ordinary share (one-tier tax exempt) on 17 November 2017 in respect of financial year ended 30 June 2017. The Group paid an interim dividend of 4.0 cents per ordinary share (one-tier tax exempt) on 13 February 2018 in respect of financial year ended 30 June 2018.

(3) Cash and cash equivalent is derived from:

	Group 30 June 18 S$	Group 30 June 17 S$
Cash and cash equivalent balances	21,087,382	23,422,290
Less: Pledged cash placed with bank	(169,001)	(160,350)
	20,918,381	23,261,940

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 remeasurement on retirement benefits S$	Accumulated Profits S$	Total S$
The Group					
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**
As at 1 July 2017	14,782,931	(5,436,297)	-	45,424,669	54,771,303
Total comprehensive income for the year:					
Net profit for the year	-	-	-	17,143,514	17,143,514
Other comprehensive income:					
Foreign currency translation differences, net of tax	-	855,088	-	-	855,088
Remeasurement income on retirement benefits, net of tax	-	-	47,505	-	47,505
Total comprehensive income for the year	-	855,088	47,505	17,143,514	18,046,107
Transactions with owners, recorded directly in equity					
Final dividend of 4.0 cents per share & special dividend of 1.0 cent per share (one-tier tax exempt) in respect of FY2017	-	-	-	(6,951,594)	(6,951,594)
Interim dividend 4.0 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	-	-	-	(12,512,869)	(12,512,869)
As at 30 June 2018	**14,782,931**	**(4,581,209)**	**47,505**	**50,055,314**	**60,304,541**

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
The Company				
As at 1 July 2016	14,782,931	-	17,550,014	32,332,945
Total comprehensive income for the year:				
Profit for the year	-	-	10,144,056	10,144,056
Total comprehensive income for the year	-	-	10,144,056	10,144,056
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**	**-**	**17,961,839**	**32,744,770**
As at 1 July 2017	14,782,931	-	17,961,839	32,744,770
Total comprehensive income for the year				
Net profit for the year	-	-	13,023,285	13,023,285
Total comprehensive income for the year	-	-	13,023,285	13,023,285
Transactions with owners, recorded directly in equity				
Final dividend of 4.0 cents per share & special dividend of 1.0 cent per share (one-tier tax exempt) in respect of FY2017	-	-	(6,951,594)	(6,951,594)
Interim dividend 4.0 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	-	-	(12,512,869)	(12,512,869)
As at 30 June 2018	**14,782,931**	**-**	**18,472,255**	**33,255,186**

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 2018 and 30 June 2017. The Company did not have any treasury shares as at the end of the current financial year or at the end of FY2018.

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.**

The Group has early adopted FRS109 Financial Instrument, FRS 115 Revenue from Contracts with Customers and FRS 116 Leases with a date of initial application of 1 July 2017.

FRS109
FRS 109 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. There are no differences in the carrying amounts of financial assets and financial liabilities on 1 July 2017 resulting from the adoption of FRS 109. Accordingly, there is no impact to the retained earnings and reserves as at 1 July 2017.

FRS 109 contains impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. Based on the lifetime expected credit loss model applied by the Company, there were no loss allowances recognised on the date of initial application. FRS 109 also contains new requirements on hedge accounting which are aligned more closely with risk management and establish a more principle-based approach to hedge accounting. The Group does not apply any hedge accounting currently.

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 year ending 30 June 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 year ending 30 June 2018, the Group recognised depreciation charge in relation to these ROU assets of S$1.1 million and interest expense on unwinding of lease liabilities amounting to S$84k 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.**

	FY2018	FY2017
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	12.33 cents	10.62 cents
(ii) On a fully diluted basis	12.33 cents	10.62 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 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 30 Jun 18	Group 30 Jun 17	Company 30 Jun 18	Company 30 Jun 17
Net Asset Value per ordinary share (cents)	43.37	39.39	23.92	23.55

The net asset value per ordinary share is calculated based on net assets of S$60.3 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
According to statistics compiled by the Semiconductor Industry Association (SIA), worldwide chip sales in the first six months of 2018 grew 20.4% to US$229.0 billion, compared to the first half of 2017. The SIA said global chip sales have increased year-on-year by more than 20% for 15 consecutive months on the back of higher sales in every major product category.

In its latest Semiconductor Market Forecast released on 5 June 2018, the World Semiconductor Trade Statistics (WSTS) forecasts global semiconductor sales in 2018 to grow at a more moderate annual rate of 12.4% to a record US$463 billion. It expects sales to be driven by growth of 26.5% in Memory products and a 9.5% increase in Analog products. All geographical regions are also expected to grow during 2018. For 2019, WSTS projects chip sales to grow at a slower 4.4% to US$484 billion,

Group Revenue

		1Q	2Q	3Q	4Q	Full Year
REVENUE	**FY2018**	**S$17,694,454**	**S$15,649,498**	**S$16,079,175**	**S$15,678,731**	**S$65,101,858**
	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%**	**1.5%**	**13.8%**

For the 12 months ended 30 June 2018 (FY2018), the Group reported record revenue of S$65.1 million, an increase of 13.8% from S$57.2 million in FY2017. This was driven by higher sales achieved in our major geographical markets on the back of strong growth in the global semiconductor industry.

For the three months ended 30 June 2018 (4Q18), Group revenue increased a marginal 1.5% to S$15.7 million from S$15.4 million in 4Q17. On a quarter-on-quarter (qoq) basis, Group revenue eased 2.5% to S$15.7 million in 4Q18 from S$16.1 million in 3Q18.

Revenue breakdown by Geographical Market

Country	Group										
	3Q18	4Q18		4Q17		%	FY2018		FY2017		%
	S$ m	S$ m	%	S$ m	%	change	S$ m	%	S$ m	%	change
Singapore	1.2	0.8	5%	1.4	9%	(45%)	5.1	8%	4.7	8%	9%
Malaysia	2.8	2.9	18%	3.0	20%	(4%)	12.1	18%	11.9	21%	2%
Philippines	1.6	1.6	10%	1.4	9%	13%	6.4	10%	5.1	9%	27%
Thailand	0.3	0.3	2%	0.4	2%	(15%)	1.2	2%	1.6	3%	(26%)
China	4.4	4.2	27%	4.0	26%	6%	18.0	27%	14.8	26%	21%
USA	3.2	3.3	21%	2.8	18%	20%	12.2	19%	9.1	16%	33%
Europe	0.6	0.6	4%	0.5	3%	14%	2.5	4%	2.2	4%	12%
Japan	0.3	0.3	2%	0.2	2%	8%	1.2	2%	1.1	2%	9%
Taiwan	1.2	1.2	8%	1.3	8%	(3%)	4.6	7%	5.0	9%	(8%)
Rest of world	0.5	0.4	3%	0.4	3%	1%	1.8	3%	1.7	2%	7%
Total	16.1	15.6	100%	15.4	100%	1.5%	65.1	100%	57.2	100%	14%

In FY2018, the Group witnessed sales increases in the majority of our geographical markets, particularly in China, the USA and the Philippines. Sales in China increased 21.1% to S$18.0 million to remain as our largest market with a contribution of 27.5% to Group revenue.

The Group's sales in the USA increased 33.3% to S$12.2 million. As a result, the USA has become our second largest market with a revenue contribution of 19% in FY2018. Sales in Malaysia increased 2.3% to S$12.1 million and accounted for 18% of Group revenue. Sales to customers in the Philippines improved by 27.1% to S$6.4 million while sales in the Singapore market grew 9% to S$5.1 million.

Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2018	64%	62%	59%	60%	61%
	FY2017	56%	56%	59%	62%	58%

Our average capacity utilisation rate in FY2018 increased to 61% from 58% in FY2017, in tandem with the increase in Group sales.

Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2018	60.9%	56.1%	55.8%	54.6%	57.0%
	FY2017	57.3%	55.4%	57.4%	59.4%	57.4%

The Group's gross profit increased by 12.8% to S$37.1 million in FY2018. The Group's GP margin in FY2018 was relatively steady at 57.0% when compared to FY2017. GP margin in 4Q18 eased to 54.6% from 59.4% in 4Q17 due mainly to an increase in 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	S$4,077,376	S$3,846,420	S$3,735,222	S$3,580,364	S$15,239,382
	% of sales	23.0%	24.6%	23.2%	22.8%	23.4%
	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%

The Group registered a 7.2% increase in other income to S$777k due mainly to a net gain of S$248k on the disposal of various machines.

We continued to keep a close watch on our expense structure. Our distribution costs of S$3.2 million in FY2018 were steady when compared to FY2017. Administrative expenses increased 7.7% to S$9.3 million in FY2018 from S$8.6 million in FY2017 due mainly to an increase in headcount, annual salary adjustments, interest expense from rights of assets in-use and costs related to maintenance of the Group's premises. Other operating expenses increased marginally to S$3.5 million in FY2018 from S$3.3 million in FY2017, attributable to higher performance bonus expenses and the absence of foreign exchange gain of S$173k recorded in FY2017.

In aggregate, the Group's administrative, distribution and other operating expenses (net of other income) increased 6.1% to S$15.2 million in FY2018 from S$14.4 million in FY2017. As a percentage of sales, these overhead expenses decreased to 23.4% in FY2018 from 25.1% in FY2017.

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**	**S$3,957,686**	**S$17,143,514**
	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%**	**(13.1%)**	**16.1%**

The Group's profit before tax increased 18.1% to S$21.9 million in FY2018 from S$18.5 million in FY2017.

After deducting income tax expenses of S$4.7 million in FY2018 (S$3.7 million in FY2017), the Group reported a record net profit of S$17.1 million in FY2018, an increase of 16.1% from S$14.8 million in FY2017. Net profit margin in FY2018 increased to 26.3% compared to 25.8% in FY2017.

For FY2018, the Group's effective tax rate was 21.5% compared to 20.2% in FY2017. The tax expenses included S$617k for withholding tax paid and an additional S$222k for withholding tax accrued on dividends from various overseas subsidiaries

Correspondingly, the Group's earnings per share grew to 12.33 cents in FY2018 from 10.62 cents in FY2017.

Balance Sheet

As at 30 June 2018, the Group remained in a sound financial position with a balance sheet that had total assets of S$73.3 million, shareholders' equity of S$60.3 million, cash and cash equivalents of S$21.1 million and no bank borrowings.

Long Term Assets

As at 30 June 2018, non-current assets stood at S$35.7 million as compared to S$26.6 million as at 30 June 2017. This increase was partly due to the recognition of right-of-use assets which amounted to S$2.3 million (net of depreciation) in relation to the various factories that the Group occupies following the adoption of FRS116 Leases in the current financial year and the purchase of new equipment for our five factories.

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**	**S$11,707,701**	**S$10,874,870**
	≥ 90 days	**2.2%**	**0.0%**	**0.5%**	**0.0%**
	Write-off	**-**	**-**	**-**	**-**
	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 30 June 2018 was S$10.9 million, as compared to S$11.0 million as at 30 June 2017. Of this, S$534 was outstanding for 90 days or more (S$8.2k at end of 30 June 2017). The Group did not incur any bad debt expenses during FY2018 and FY2017.

Trade & Other Payables

As at 30 June 2018, our trade payables totaled S$798k with zero outstanding for 30 days or more. Non-trade payables totaled S$1.8 million. Other accrued expenses stood at S$4.5 million. With the adoption of the new accounting standard FRS116 Leases at the beginning of the current financial period, the Group recorded current lease liabilities outstanding of S$0.9 million.

Long term liabilities

As at 30 June 2018, the deferred tax liabilities was S$1.5 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 non-current lease liabilities outstanding of S$1.3 million.

Inventory

The Group continuously manages its inventory to avoid over-stocking and minimise write-offs. As a percentage of annualised sales, our inventory of S$4.6 million at the end of FY2018 (S$3.7 million at end-FY2017) was 7.0% (6.4% at end of FY2017). Inventory written off in FY2018 totaled S$111k, as compared to S$102k in FY2017.

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	**FY2018** **% of sales**	**S$2,154,551**	**S$3,832,377**	**S$3,362,060**	**S$2,771,725**	**S$12,120,713** **18.6%**
	FY2017 **% of sales**	**S$889,904**	**S$1,319,309**	**S$227,880**	**S$2,657,198**	**S$5,094,291** **8.9%**

During FY2018, the Group had capital expenditure totalling S$12.1 million. This included investments of approximately S$10.6 million for new equipment to increase the manufacturing capacity and capabilities of our five factories.

Cash Flow Analysis

The Group generated net cash from operations of S$22.4 million in FY2018 (S$18.1 million in FY2017). After deducting net investing activities of S$11.4 million and S$13.6 million for financing activities mainly for the payment of dividends in respect of FY2017 and 1H18, we closed the year with a cash balance of S$21.1 million including S$0.2 million in pledged deposits.

Dividend Payment

The Board of Directors is recommending a final dividend of 5 cents and a special dividend of 1 cent per share (one tier tax-exempt) in respect of FY2018. If approved by shareholders at the Annual General Meeting to be held on 29 October 2018, the dividend will be paid on 20 November 2018.

Together with the interim dividend of 4.0 cents per share (one tier tax-exempt) paid on 13 February 2018, the Group's total dividend for FY2018 would be 10 cents per share (one tier tax-exempt). The total payout for FY2018 will amount to S$13.9 million (S$11.1 million in FY2017).

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.

Financial and Operating Review

During FY2018, Group revenue increased 13.8% to a record S$65.1 million from S$57.2 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 maintain a strong GP margin by focusing on various strategies, such as *24/7Machining,* IT automation and department integration to improve efficiency and operational effectiveness. In spite of ongoing cost pressures, these and other efforts helped keep our GP margin relatively steady in FY2018 at 57.0% compared to 57.4% in FY2017.

We also worked diligently throughout the year to maintain a tight rein on overhead expenses. During FY2018, our total distribution, administrative and other expenses including other income increased by just 6.1% to S$15.2 million from S$14.4 million in FY2017. When measured as a percentage of sales, the Group's overhead expenses declined to 23.4% from 25.1% during FY2017.

We have also been able to maintain a lean manpower structure as a result of our many improvement initiatives. Although we added 19 people to end FY2018 with a headcount of 485, these new personnel 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 enhancing our processes.

After deducting taxes of S$4.7 million (S$3.7 million in FY2017), the Group reported a record net profit of S$17.1 million during FY2018, an increase of 16.1% from S$14.8 million during the previous year. For 4Q18, the Group's net profit was S$4.0 million, down 13.1% from S$4.6 million in 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 FY2018 totaled S$22.4 million (S$18.1 million for FY2017). After net investing activities of S$11.4 million (S$4.9 million in FY2017), primarily for the purchase of new equipment, and paying interim and final dividends totalling S$12.5 million (S$9.7 million during FY2017), the Group maintained a strong financial position at the end of FY2018 with S$21.1 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 our operations there to ensure fast, effective and local support. As a result, the Group has benefited from multi-year sales growth in China. In FY2018, our China sales stood out with an increase of 21% to S$18.0 million. At 27% of Group sales (26% during FY2017), China remains our largest geographical market.

During FY2018, our revenue in the USA increased 33% to S$12.2 million from S$9.1 million during the previous year. At 19% of Group revenue, the USA has overtaken Malaysia's contribution of 18% to become the Group's second-largest geographical market. Together with the Philippines (10%), Singapore (8%) and Taiwan (7%), these six countries represent nearly 90% of the Group's business. With factories in China, the USA, Malaysia, the Philippines, Singapore 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 a variety of 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 to align our efforts at MMUS with the Group's core business of manufacturing process critical parts and tools primarily for the semiconductor industry. During FY2018, sales at MMUS increased 29.6% to S$12.3 million while its net profit rose to S$0.5 million from a loss of S$0.6 million during FY2017.

With these encouraging results, growing customer engagement and positive long-term 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

According to statistics compiled by the SIA, world-wide chip sales during 2017 increased 21% to US$405 billion from US$335 billion during 2016. Although the chip industry's strong growth has continued into 2018 with worldwide sales up 20.4% in the first six months, the WSTS expects the industry's growth to moderate to about 12.4% for all of 2018, implying a much slower 4 – 5% growth rate for the second-half of the year.

Because the tools and parts we manufacture are typically purchased by our customers well before the sale of the finished chip is recorded, the Group's revenue growth generally tends to reflect the future direction of the semiconductor industry. Indeed, during 4Q18, our top line growth slowed to 1.5% compared to the same quarter a year ago which is in line with industry projections for slower growth in the second half of 2018. As such cyclicality is typical for the semiconductor industry, we prefer to focus on the industry's long term trends and try not to get preoccupied by short-term variations. We believe the semiconductor industry is poised for a prolonged period of solid growth as chips are becoming increasingly embedded in nearly every aspect of modern life from today's smart phones to tomorrow's driverless cars. Hence, the key to the Group's success lies in our continuing ability to seize long-term opportunities and correctly identify the initiatives and investments that bring value to our customers.

During FY2018, we invested a record S$10.6 million in new equipment. Because the time to specify, order and qualify new equipment can easily stretch beyond a year, it can also be difficult to align our investments in new equipment to short-term industry conditions. For example, our net profit in 4Q18, which fell S$0.6 million to S$4.0 million, included S$0.5 million in additional depreciation expenses compared to the same quarter a year ago. During FY2019, we expect capital expenditures of about S$6 million.

At the same time, we are always working to develop new materials and processes based on the long-term needs of our customers for greater precision, repeatability and reliability. For example, during 4Q18, our engineers in California completed the development of a critical part used in the wafer-fabrication process while our R&D team in Singapore produced several proprietary materials we belive are essential to the industry at 10 nanometer and below device geometries. Both of these engineering efforts involved more than 18 months of difficult and costly engineering work. While we will begin to see revenue from this initiative during 1Q19, we believe that this pattern of longer and more costly development cycles is becoming the norm as the chip industry moves below 10 nano device geometry and into increasingly difficult processing methods. Although the landscape is more challenging due to the ever-changing nature and increasingly stringent demands of the semiconductor industry, we believe these requirements play well to our technical, financial and managerial strengths and our focus on building stakeholder value that is sustainable.

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 a way that synchronize 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 2H18, 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 our many efforts to build and safeguard stakeholder value.

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.

Transparency and Governance
On 18 July 2018, our CEO, Christopher Borch, received the *Best CEO Award* at the Singapore Corporate Awards (SCA) 2018 for the category of companies with a market capitalization up to S$300 million. Including this recent award, the Group has received recognition 27 times since our listing in 2003 for our good corporate governance and transparency practices.

In addition to these awards, in the Singapore Governance and Transparency Index (SGTI) released on 7 August 2018, Micro-Mechanics received a score of 97 points to rank 23rd out of 589 companies (excluding 43 Reits and Business Trusts) listed on the Singapore Exchange. The top 25 companies in the SGTI are mainly large capitalisation companies.

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 2017, the Group paid an interim dividend of 4 cents per ordinary share (one-tier tax exempt). Subject to approval at the upcoming Annual General Meeting on 29 October 2018, we plan to distribute a final dividend of 5 cents and a special dividend of 1 cent per ordinary share. This will bring the total dividend payment for FY2018 to 10 cents per ordinary share compared with 8 cents per ordinary share for FY2017.

Including the proposed final dividend and special dividend, we will have distributed a total of 63.9 cents per share to our shareholders since 2003. Based on dividends alone, this translates into a return of about 347% for our shareholders who bought Micro-Mechanics shares at our Initial Public Offer.

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

We look forward to continuing to work 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 13 February 2018	Final Dividend Recommended by Directors on 25 August 2018
Dividend Type	Cash	Cash
Dividend Amount	Interim dividend 4.0 cents per ordinary share (one tier tax-exempt)	Final dividend 5 cents per ordinary share (one tier tax-exempt) Special dividend 1 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 5 cents and a special dividend of 1 cent per ordinary share (one tier tax-exempt) amounting to approximately S$8.3 million.

(b) Corresponding Period of the Immediately Preceding Financial Year

A final dividend of 4.0 cents and special dividend of 1.0 cent per ordinary share (one tier tax-exempt) in respect of FY2017 was approved during the Annual General Meeting held on 30 October 2017 and paid on 17 November 2017.

An interim dividend of 3.0 cent per ordinary share (one tier tax-exempt) was paid on 27 February 2017 in respect of financial year ended 30 June 2017.

(c) Date payable

Payment of the dividend, if approved by the members at the Twenty-Second Annual General Meeting to be held on 29 October 2018, will be paid on 20 November 2018.

(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 2018 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 2018 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 2018 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 2018, the Group has made rental payment of US$362,000 (30 June 2017: US$350,000) 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 FY2018

	Singapore	Malaysia	The Philippines	USA	China	Elimination	Consolidated
	$	$	$	$	$	$	$
Total revenue from external customers	15,918,357	12,883,706	6,631,743	12,308,965	17,359,087	-	65,101,858
Inter-segment revenue	6,341,863	1,296,257	556,401	288	-	(8,194,809)	-
Total revenue	22,260,220	14,179,963	7,188,144	12,309,253	17,359,087	(8,194,809)	65,101,858
Segment result	6,557,974	6,376,285	3,371,300	514,297	6,162,718	(387,915)	22,594,659
Unallocated expenses							(744,312)
Profit from operations							21,850,347
Income tax expense							(4,706,833)
Net profit for the year							17,143,514
Segment asset	26,010,560	14,543,356	4,477,450	16,846,424	12,725,963	(3,365,753)	71,238,000
Unallocated assets							
Others							2,052,725
Total assets							73,290,725
Segment liabilities	4,058,412	789,376	4,051,080	3,512,698	2,256,815	(4,782,174)	9,886,207
Unallocated liabilities							
Income tax							3,099,931
Others							46
Total liabilities							12,986,184
Other segment information:							
Capital expenditure	2,154,776	1,512,372	692,312	5,313,331	2,447,922	-	12,120,713
Depreciation	1,885,315	756,298	529,305	1,858,377	879,091	-	5,908,386
Non-current assets	10,731,844	5,846,060	2,265,491	12,224,198	4,754,534	(95,576)	35,726,551

Major customers

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	$	$	$	$	$	$
2018						
Revenue	-	1,687,926	4,874,117	9,725,820	2,742,300	19,030,163
Number of customers	-	1	4	3	1	9

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							
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							
Income tax							2,733,590
Others							250,000
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	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

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/
	FY2018	**FY2017**	**(decrease)**
	S$	**S$**	
Sales reported for first half year	33,343,952	27,540,263	21.1%
Operating profit after tax before deducting non-controlling interest reported for first half year	9,074,764	6,742,727	34.6%
Sales reported for second half year	31,757,906	29,689,402	7.0%
Operating profit after tax before deducting non-controlling interest reported for second half year	8,068,750	8,019,490	0.6%

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 (FY2018)	Previous Full Year (FY2017)
	S$	**S$**
Ordinary	13,903,188	11,122,550
Preference	-	-
Total:	13,903,188	11,122,550

Note: The total annual dividend comprises the interim dividend of S$5,561,275 paid on 13 February 2018 and the proposed final dividend of S$8,341,913.

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
25 August 2018