

MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Full Year Financial Statements Announcement for the year ended 30/06/2016

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	Group FY2016 S\$	Group FY2015 S\$	Change
Revenue	(1)	51,251,042	52,197,046	(1.8%)
Cost of sales	(2)	(22,113,514)	(23,510,279)	(5.9%)
Gross profit		29,137,528	28,686,767	1.6%
Other income	(3)	687,096	1,456,978	(52.8%)
Distribution costs		(2,923,191)	(2,866,174)	2.0%
Administrative expenses	(4)	(8,004,154)	(8,998,638)	(11.1%)
Other operating expenses	(5)	(3,204,997)	(2,891,026)	10.9%
Profit from operations		15,692,282	15,387,907	2.0%
Finance costs		-	-	-
Profit before income tax	(6)	15,692,282	15,387,907	2.0%
Income tax expense	(7)	(3,808,873)	(3,366,658)	13.1%
Profit after tax		11,883,409	12,021,249	(1.1%)
Non-controlling interests		-	-	-
Profit for the year		11,883,409	12,021,249	(1.1%)
Statement of Comprehensive Income				
Profit for the year		11,883,409	12,021,249	(1.1%)
Other comprehensive income: Foreign currency translation differences for foreign operations, net of tax		(1,574,184)	(686,740)	129.2%
Total comprehensive income for the year		10,309,225	11,334,509	(9.0%)

Notes:

- (1) Please refer to section 8 of this announcement for an analysis of the Group's revenue.
- (2) Cost of sales decreased in line with the decrease in sales. Production headcount reduced from 306 in FY2015 to 288 in FY2016.

(3) Other income consists of:

	FY2016 S\$	FY2015 S\$	Change
Gain on disposal of property, plant and equipment	126,134	265,587	(52.5%)
Gain on disposal of assets held for sale	-	257,292	(100.0%)
Interest income	146,269	150,563	(2.9%)
Rental income	113,011	127,271	(11.2%)
Government grant –Skills Redevelopment, Wage Credit, and Capability Development Scheme	225,109	110,079	104.5%
Exchange gain	-	419,569	(100.0%)
Others	76,573	126,617	(39.5%)

(4) Please refer to section 8 of this announcement for an analysis of the Group’s administrative expenses.

(5) Please refer to section 8 of this announcement for an analysis of the Group’s other operating expenses.

(6) Profit before taxation includes the following expenses:

	FY2016 S\$	FY2015 S\$	Change
Trade receivables written off	11,213	1,165	862.5%
Depreciation of property, plant and equipment	4,422,894	4,671,593	(5.3%)
Inventories written off	75,909	103,612	(26.7%)
Exchange loss	107,636	-	n.m.
Fixed assets written off	319,536	69,548	359.4%

n.m. – not meaningful

(7) Income tax expense for FY2016 totaled S\$3.8 million of which S\$599k was related to withholding tax on dividends remitted to Singapore from various overseas subsidiaries. The effective tax rate for FY2016 was 24.3% as compared to 21.9% for FY2015 mainly due to higher losses incurred by our subsidiary in the USA and less tax incentives claimed under the Singapore Productivity and Innovation Credit Scheme in the current financial year.

(8) Depreciation expenses in FY2016 decreased by 5.3% to S\$4.4 million due to fully depreciated assets and the disposal of some equipment during the financial year.

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

	Note	Group 30 Jun 16 S\$	Group 30 Jun 15 S\$	Company 30 Jun 16 S\$	Company 30 Jun 15 S\$
Non-current assets					
Property, plant and equipment	(1)	25,551,395	26,645,774	-	-
Subsidiaries		-	-	18,364,744	17,855,816
Trade and other receivables		93,387	273,017	961,349	4,696,028
		25,644,782	26,918,791	19,326,093	22,551,844
Current assets					
Inventories		3,279,002	3,504,331	-	-
Trade and other receivables		10,337,194	10,173,370	3,768,101	6,848,896
Cash and cash equivalents		20,075,178	15,161,285	9,595,997	2,411,980
		33,691,374	28,838,986	13,364,098	9,260,876
Total assets		59,336,156	55,757,777	32,690,191	31,812,720
Shareholders' equity					
Share capital	(2)	14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve		(4,934,067)	(3,359,883)	-	-
Accumulated profits		40,394,683	35,462,869	17,550,014	16,639,957
		50,243,547	46,885,917	32,332,945	31,422,888
Non-current liabilities					
Deferred tax liabilities		1,307,986	1,344,479	-	-
Other payables & accrual		239,401	-	-	-
		1,547,387	1,344,479	-	-
Current liabilities					
Trade and other payables		5,948,920	6,096,809	352,210	385,463
Current tax payable		1,596,302	1,430,572	5,036	4,369
		7,545,222	7,527,381	357,246	389,832
Total liabilities		9,092,609	8,871,860	357,246	389,832
Total equity and liabilities		59,336,156	55,757,777	32,690,191	31,812,720

Notes:

- (1) The movement in foreign currency translation reserves was mainly due to the depreciation of Malaysian Ringgit and Chinese Renminbi 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 16		As at 30 Jun 16	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 Jun 15		As at 30 Jun 15	
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 FY2016 S\$	Group FY2015 S\$
Cash flows from operating activities			
Profit before income tax		15,692,282	15,387,907
Adjustments for:			
Depreciation of property, plant and equipment		4,422,894	4,671,593
Fixed assets written off		319,536	69,548
Gain on disposal of property, plant and equipment		(126,134)	(265,587)
Gain on disposal of assets held for sale		-	(257,292)
Interest income		(146,269)	(150,563)
Operating profit before changes in working capital		20,162,309	19,455,606
Inventories		115,658	(414,890)
Trade and other receivables		(353,556)	(676,414)
Trade and other payables		(417,004)	(1,917,391)
Cash generated from operations		19,507,407	16,446,911
Income tax paid		(3,195,374)	(2,298,927)
Net cash from operating activities		16,312,033	14,147,984
Cash flows from investing activities			
Purchase of property, plant and equipment	(1)	(4,095,821)	(4,916,351)
Proceeds from disposal of property, plant and equipment		219,413	671,845
Proceeds from disposal of assets held for sale		-	322,704
Interest received		175,585	176,042
Net cash used in investing activities		(3,700,821)	(3,745,760)
Cash flows from financing activities			
Deposits pledged		-	24,689
Dividends paid	(2)	(6,951,595)	(5,561,276)
Net cash used in financing activities		(6,951,595)	(5,536,587)
Net increase in cash and cash equivalents		5,659,615	4,865,637
Cash and cash equivalents at 1 July		14,983,111	10,879,132
Effect of exchange rate fluctuations		(735,248)	(761,658)
Cash and cash equivalents at 30 June	(3)	19,907,478	14,983,111

Notes:

- (1) The Group purchased approximately S\$3.8 million of equipment for all its factories and incurred S\$150k on IT hardware and software.
- (2) The Company paid a final dividend of 2.0 cents and special dividend of 1.0 cent per ordinary share (one-tier tax exempt) on 18 November 2015 in respect of financial year ended 30 June 2015. An interim dividend of 2.0 cents per ordinary share (one-tier tax exempt) was paid on 25 February 2016 in respect of financial year ended 30 June 2016.

(3) Cash and cash equivalent is derived from:

	Group 30 June 16 S\$	Group 30 June 15 S\$
Cash and cash equivalent balances	20,075,178	15,161,285
Less: Pledged cash placed with bank	(167,700)	(178,174)
	19,907,478	14,983,111

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 2014	14,782,931	(2,673,143)	29,002,896	41,112,684
Total comprehensive income for the year:				
Profit for the year	-	-	12,021,249	12,021,249
Other comprehensive income:				
Foreign currency translation difference	-	(686,740)	-	(686,740)
Total comprehensive income for the year	-	(686,740)	12,021,249	11,334,509
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share (one tier tax-exempt) in respect of FY2014	-	-	(2,780,638)	(2,780,638)
Interim dividend 1.0 cent per share & special dividend of 1.0 cent per share (one tier tax-exempt) in respect of FY2015	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(5,561,276)	(5,561,276)
As at 30 June 2015	14,782,931	(3,359,883)	35,462,869	46,885,917
As at 1 July 2015	14,782,931	(3,359,883)	35,462,869	46,885,917
Total comprehensive income for the year:				
Profit for the year	-	-	11,883,409	11,883,409
Other comprehensive income:				
Foreign currency translation difference	-	(1,574,184)	-	(1,574,184)
Total comprehensive income for the year	-	(1,574,184)	11,883,409	10,309,225
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share & special dividend of 1.0 cent per share (one-tier tax exempt) in respect of FY2015	-	-	(4,170,957)	(4,170,957)
Interim dividend 2.0 cents per share (one tier tax-exempt) in respect of FY2016	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(6,951,595)	(6,951,595)
As at 30 June 2016	14,782,931	(4,934,067)	40,394,683	50,243,547

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
The Company				
As at 1 July 2014	14,782,931	-	15,728,174	30,511,105
Total comprehensive income for the year:				
Profit for the year	-	-	6,473,059	6,473,059
Total comprehensive income for the year	-	-	6,473,059	6,473,059
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share (one tier tax-exempt) in respect of FY2014	-	-	(2,780,638)	(2,780,638)
Interim dividend 1.0 cent per share & special dividend of 1.0 cent per share (one tier tax-exempt) in respect of FY2015	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(5,561,276)	(5,561,276)
As at 30 June 2015	14,782,931	-	16,639,957	31,422,888
As at 1 July 2015	14,782,931	-	16,639,957	31,422,888
Total comprehensive income for the year:				
Profit for the year	-	-	7,861,652	7,861,652
Total comprehensive income for the year	-	-	7,861,652	7,861,652
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share & special dividend of 1.0 cent per share (one-tier tax exempt) in respect of FY2015	-	-	(4,170,957)	(4,170,957)
Interim dividend 2.0 cents per share (one tier tax-exempt) in respect of FY2016	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(6,951,595)	(6,951,595)
As at 30 June 2016	14,782,931	-	17,550,014	32,332,945

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 2016 and 30 June 2015. The Company did not have any treasury shares as at the end of the current financial year or at the end of FY2015.

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

Not applicable.

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

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

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

Not applicable.

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

Yes.

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

Not applicable

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

	Group FY2016	Group FY2015
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	8.55 cents	8.65 cents
(ii) On a fully diluted basis	8.55 cents	8.65 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 2015: 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 16	Group 30 Jun 15	Company 30 Jun 16	Company 30 Jun 15
Net Asset Value per ordinary share (cents)	36.14	33.72	23.26	22.60

The net asset value per ordinary share is calculated based on net assets of S\$50.2 million (30 June 2015: S\$46.9 million) and 139,031,881 (30 June 2015: 139,031,881) shares in issue at the end of the current financial year reported on/immediately preceding financial year.

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

REVIEW OF PROFIT AND LOSS

Semiconductor industry review

According to the Semiconductor Industry Association (SIA), global semiconductor sales in the first six months of 2016 decreased 5.8% year-on-year (yoy) to US\$157.4 billion compared to the same period in 2015. While global chip sales in the second quarter of the year (April to June 2016) also declined 5.8% yoy from the same quarter in 2015, this represented an uptick of 1.0% from the first quarter of 2016. The SIA said sales into Japan and China have been a bright spot midway through 2016 and expects to see a modest rebound during the second half of the year.

In its latest forecast released on 7 June 2016, the World Semiconductor Trade Statistics (WSTS) said it is projecting the world semiconductor market to decrease 2.4% in 2016 to US\$327 billion with declines expected across all regions. The WSTS has also forecasted global chip sales to grow approximately 2% yoy in both 2017 and 2018.

Group Revenue

REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2016	S\$13,602,850	S\$12,190,197	S\$12,529,565	S\$12,928,430	S\$51,251,042
FY2015	S\$13,038,188	S\$12,893,988	S\$13,397,284	S\$12,867,586	S\$52,197,046	
% growth	4.3%	(5.5%)	(6.5%)	0.5%	(1.8%)	

For the 12 months ended 30 June 2016 (FY2016), Group revenue decreased 1.8% to S\$51.3 million from S\$52.2 million in FY2015. The revenue decline was mainly due to the translational impact of the depreciation of the Chinese Renminbi and Malaysian Ringgit by 10% and 7% respectively against the Group's reporting currency in Singapore Dollars as sales registered in these two foreign currencies accounted for approximately 49% of the Group's revenue in FY2016.

For the three months ended 30 June 2016 (4Q16), the Group reported a marginal 0.5% increase in revenue to S\$12.9 million from 4Q15. On a quarter-on-quarter (qoq) basis, Group revenue increased by 3.2% to S\$12.9 million in 4Q16 from S\$12.5 million in 3Q16 due to higher sales of the semiconductor tooling business.

Revenue breakdown by product segment

SEMICONDUCTOR TOOLING REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2016	S\$11,950,869	S\$10,814,156	S\$10,366,937	S\$11,068,774	S\$44,200,736
FY2015	S\$11,348,221	S\$11,147,406	S\$11,318,663	S\$10,930,581	S\$44,744,871	
% growth	5.3%	(3.0%)	(8.4%)	1.3%	(1.2%)	

CMA REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2016	S\$1,651,981	S\$1,376,041	S\$2,162,628	S\$1,859,656	S\$7,050,306
FY2015	S\$1,689,967	S\$1,746,582	S\$2,078,621	S\$1,937,005	S\$7,452,175	
% growth	(2.2%)	(21.2%)	4.0%	(4.0%)	(5.4%)	

The Group's semiconductor tooling segment, which serves customers involved in the assembly and testing of semiconductors, registered revenue of S\$11.1 million in 4Q16, an increase of 1.3% from S\$10.9 million in 4Q15, attributable mainly to higher sales reported in Malaysia and China. On a qoq basis, sales increased by 6.8% to S\$11.1 million in 4Q16 from S\$10.4 million in 3Q16 mainly due to higher sales in Singapore and Malaysia, and the USA.

For FY2016, sales of semiconductor tools decreased 1.2% to S\$44.2 million from S\$44.7 million in FY2015 mainly due to depreciation of Chinese Renminbi and Malaysia Ringgit against Singapore dollar.

Revenue from our CMA division, which serves high technology capital equipment manufacturers in the aerospace, medical, laser and wafer fabrication industries, decreased 5.4% to S\$7.1 million in FY2016 from S\$7.5 million in FY2015 due to slow business environment.

The semiconductor tooling and CMA businesses accounted for 86.2% and 13.8% respectively of the Group's revenue in FY2016.

Revenue breakdown by Geographical Market

Country	4Q16		4Q15		FY2016		FY2015		% change
	S\$ m	%	S\$ m	%	S\$ m	%	S\$ m	%	
Singapore	0.9	7%	0.8	6%	3.0	6%	3.5	7%	(16.0%)
Malaysia	2.8	22%	2.6	20%	10.6	21%	11.1	21%	(4.7%)
Philippines	1.1	9%	1.1	9%	4.6	9%	4.6	9%	(0.1%)
Thailand	0.4	3%	0.3	2%	1.1	2%	1.3	2%	(12.0%)
China	3.4	26%	3.3	25%	14.3	28%	13.6	26%	5.3%
USA	1.9	15%	2.1	16%	7.9	15%	7.7	15%	2.7%
Europe	0.6	4%	0.7	6%	2.4	5%	2.3	5%	3.6%
Japan	0.3	2%	0.2	2%	1.0	2%	1.0	2%	(3.6%)
Taiwan	1.2	10%	1.4	11%	5.0	10%	5.3	10%	(5.7%)
Rest of world	0.3	2%	0.4	3%	1.4	2%	1.8	3%	(21.2%)
	12.9	100%	12.9	100%	51.3	100%	52.2	100%	(1.8%)

Sales in China increased by 5.3% to S\$14.3 million, despite a 10% depreciation in Chinese Renminbi against the Singapore Dollar, to remain as the Group's largest tooling market in FY2016. Sales from our second largest market, Malaysia, managed to increase in volume terms in FY2016, nonetheless, revenue from this market decreased 4.7% to S\$10.6 million due to a 7% depreciation in the Malaysian Ringgit against the Singapore Dollar. Sales to customers in the USA also increased 2.7% to S\$7.9 million in FY2016.

Sales from the Group's other markets for semiconductor tools, however, were generally relatively consistent or have slid lower in FY2016.

Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2016	54%	50%	55%	56%	54%
	FY2015	60%	59%	53%	56%	56%

Our average capacity utilisation rate in FY2016 decreased to 54% from 56% in FY2015 due to continuing operational efficiency improvements at our plants in Asia.

Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2016	57.3%	55.9%	57.1%	57.0%	56.9%
	FY2015	52.9%	54.7%	55.1%	57.1%	55.0%

Gross Profit Margin (By Product Segment)			1Q	2Q	3Q	4Q	Full Year	
	FY2016	Semiconductor		63.8%	62.1%	63.3%	62.7%	63.0%
		CMA		10.7%	6.7%	27.5%	23.0%	18.3%
	FY2015	Semiconductor		59.8%	61.8%	61.6%	63.9%	62.6%
CMA			6.3%	9.6%	20.0%	19.1%	14.2%	

While Group revenue eased 1.8% in FY2016, gross profit (GP) increased 1.6% to S\$29.1 million from S\$28.7 million in FY2015. As a result, the Group's GP margin improved to 56.9% in FY2016 from 55.0% in FY2015.

In terms of product segment, the GP margin of our semiconductor tooling business increased marginally to 63.0% in FY2016 as compared to 62.6% in FY2015. The GP margin of our CMA division grew to 18.3% in FY2016 from 14.2% in FY2015 mainly due to cost, productivity and cycle time improvements of our manufacturing operations in the USA.

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
	FY2016 % of sales	S\$3,142,405 23.1%	S\$3,313,423 27.2%	S\$3,496,148 27.9%	S\$3,493,269 27.0%	S\$13,445,246 26.2%
FY2015 % of sales	S\$3,325,523 25.5%	S\$3,277,081 25.4%	S\$2,788,393 20.8%	S\$3,907,863 30.4%	S\$13,298,860 25.5%	

We continued to keep a close watch on our expense structure. Distribution expenses were relatively stable at S\$2.9 million in FY2016. Administrative expenses decreased 11.1% to S\$8.0 million in FY2016 from S\$9.0 million in FY2015 mainly due to lower amount of bonus accrual and absence of expenses in respect of our Thailand factory which had ceased operations in FY2015. Other operating expenses increased 10.9% to S\$3.2 million from S\$2.9 million in FY2015 mainly due to foreign exchange loss registered on the revaluation of US Dollar denominated receivables owing from our subsidiary in the USA and an increase in certain staff related costs. Other income in FY2016 decreased by 52.8% to S\$0.7 million from S\$1.5 million in FY2015, due to the absence of foreign exchange gain as a result of the depreciation of the US dollar in FY 2016 and that there was a gain in disposal of machine and vehicles reported in FY2015.

Our total administrative, distribution and other operating expenses (net of other income) was S\$13.4million in FY2016 as compared to S\$13.3 million in FY2015. As a percentage of sales, these overhead expenses increased to 26.2% in FY2016 from 25.5% in FY2015.

Profit before Tax and Net Profit

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2016	S\$3,593,738	S\$2,722,652	S\$2,736,006	S\$2,831,013	S\$11,883,409
FY2015	S\$2,798,623	S\$2,671,729	S\$3,721,016	S\$2,829,881	S\$12,021,249	
% growth	28.4%	1.9%	(26.5%)	(0.04%)	(1.1%)	

The Group's profit before tax increased 2.0% to S\$15.7 million in FY2016 from S\$15.4 million in FY2015.

The Group has incurred higher tax expenses of S\$3.8 million in FY2016 as compared to S\$3.4 million in FY2015. This tax increase was due mainly to higher losses incurred by our subsidiary in the USA and less tax incentives claimed under the Singapore Productivity and Innovation Credit Scheme in the current financial year.

After deducting income tax, the Group reported a net profit of S\$11.9 million in FY2016, a decrease of 1.1% from S\$12.0 million in FY2015. The Group's net profit margin remained stable at 23.2% in FY2016 as compared to 23.0% in FY2015.

Correspondingly, the Group's earnings per share eased marginally to 8.55 cents in FY2016 from 8.65 cents in FY2015.

Balance Sheet

As at 30 June 2016, the Group remained in a sound financial position with a balance sheet that had total assets of S\$59.3 million, shareholders' equity of S\$50.2 million, cash and cash equivalents of S\$20.1 million and no bank borrowings.

Long Term Assets

As at 30 June 2016, non-current assets was at S\$25.6 million as compared to S\$26.9 million as at 30 June 2015.

Trade Receivables

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2016	S\$9,906,118	S\$9,013,953	S\$8,731,332	S\$9,418,624
	≥ 90 days	0.2%	0.8%	1.3%	0.1%
	Write-off	-	0.1%	0.1%	0.1%
	FY2015	S\$8,906,352	S\$8,899,026	S\$9,779,247	S\$9,241,280
	≥ 90 days	0.7%	0.3%	0.1%	0.3%
	Write-off	0.01%	0.01%	0.01%	0.01%

Total trade receivables as at 30 June 2016 increased to S\$9.4 million, compared to S\$9.2 million as at 30 June 2015. Of this, 0.1% was outstanding for 90 days or more (0.3% at end of 30 June 2015). Bad debts written off during FY2016 was S\$11.2k or 0.1% of trade receivables (S\$1.2k during FY2015).

Trade & Other Payables

As at 30 June 2016, our trade payables totaled S\$0.9 million, of which S\$82k was outstanding for 30 days or more. Non-trade payables totaled S\$1.2 million. Other accrued expenses stood at S\$3.8 million.

Deferred Tax Liabilities

Deferred tax liabilities as at 30 June 2016 amounted to S\$1.3 million, unchanged from 30 June 2015.

Inventory

As a percentage of annualised sales, our inventory of S\$3.3 million at the end of FY2016 (S\$3.5 million at end-FY2015) was 6.4% (6.7% at end of FY2015). Inventory written off in FY2016 totaled S\$76k, compared to S\$104k in FY2015.

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2016	S\$769,584	S\$372,405	S\$1,782,395	S\$1,171,437	S\$4,095,821
	% of sales					8.0%
	FY2015	S\$1,526,658	S\$835,776	S\$758,556	S\$1,795,361	S\$4,916,351
	% of sales					9.4%

During FY2016, our capital expenditure totaled S\$4.1 million. Of this, approximately S\$3.8 million was invested in equipment and machine accessories for all our factories to enhance productivity and production efficiency.

Cash Flow Analysis

The Group generated net cash from operations of S\$16.3 million in FY2016 (S\$14.1 million in FY2015). Net cash used for investing activities amounted to S\$3.7 million mainly for purchases of production equipment. The Group used net cash of S\$7.0 million for financing activities during FY2016, mainly for the payment of dividends in respect of FY2015 and 1H16. We closed the year with cash of S\$20.1 million including S\$0.2 million in pledged deposits.

Dividend Payment

The Board of Directors is recommending a final dividend of 3.0 cents and a special dividend of 1.0 cent per share (one tier tax-exempt) in respect of FY2016. If approved by shareholders at the Annual General Meeting to be held on 28 October 2016, the dividend will be paid on 18 November 2016.

Together with the interim dividend of 2.0 cents per share (one tier tax-exempt) paid on 25 February 2016, the Group's total dividend for FY2016 would be 6.0 cents per share (one tier tax-exempt). The total payout for FY2016 will amount to S\$8.3 million (S\$7.0 million in FY2015).

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

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

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

According to data from the Semiconductor Industry Association, worldwide sales of semiconductors during the first six months of 2016 decreased 5.8% from the same period last year. In line with these slower industry conditions, Micro-Mechanics reported a 1.8% dip in revenue during FY2016 to S\$51.3 million from S\$52.2 million in the previous year. With nearly 50% of the Group's sales coming from customers in China and Malaysia, our sales were also affected by the depreciation of the Malaysian Ringgit and the Chinese Renminbi of 7% and 10%, respectively, when translated into Singapore Dollars. In spite of the lower revenue and a 13% increase in taxes to S\$3.8 million, the Group's net profit held steady at S\$11.9 million compared to S\$12.0 million in FY2015.

While growing the Group's top line and the value we create for our customers remains a key priority, we have also been working tirelessly to improve our GP margin by focusing on various strategies, such as *24/7 Machining*, IT automation and department integration to improve productivity and operational efficiency. Based on these and other efforts, our GP margin in FY2016 increased to 56.9% from 55.0% in FY2015. Similarly, we worked diligently throughout the year to keep a tight rein on overhead expenses. Despite escalating cost pressures in many of the markets where we operate, total distribution, administrative and other expenses including other income increased by just 1.1% during the year to S\$13.4 million from S\$13.3 million in FY2015. As a by-product of our many improvement initiatives, we have gradually seen our manpower requirement decline by 28% from a headcount of 601 four years ago to 431 people at the end of FY2016. Our continuous efforts to improve our operations and cost structure is reflected in the Group's profit before tax for FY2016, which increased 2.0% to S\$15.7 million from S\$15.4 million in FY2015.

Our semiconductor tooling business, which serves a world-wide base of customers involved in the assembly and testing of semiconductors, accounted for 86.2% of Group revenue. Although the Group's sales of semiconductor tools during FY2016 dipped 1.2% to S\$44.2 million, the GP margin for this segment of our business increased to 63.0% from 62.6% in the previous year. In addition to our on-going efforts to develop proprietary materials and improve the productivity of our manufacturing operations, the healthy GP margin also reflects the strategic value of focusing on the design and manufacture of tools for process-critical applications where flawless quality, on-time delivery and cost-effective performance are key customer requirements.

As China continues to develop into a major center for global chip manufacturing, we have been steadily working to gain a larger share of this key market for semiconductor tools. In FY2016, sales of our semiconductor tools to this market increased 5.3% to S\$14.3 million. At 28% of Group sales in FY2016, China remains as our largest geographical market.

Although revenue of semiconductor tooling in Malaysia declined 4.7% during the year mainly due to the depreciation of the Malaysian Ringgit, Malaysia remains our second-largest geographical market with a contribution of 21% to Group revenue. Together with the USA (15%), Taiwan (10%), The Philippines (9%) and Singapore (6%), these six countries represent nearly 90% of the Group's business. As such, with factories in China, Malaysia, The Philippines, Singapore, the USA, and our sales office in Taiwan, the Group is well-positioned to provide fast, effective and local support to our customers in these major market areas.

In FY2016, our subsidiary in the USA ("MMUS") reported a loss of S\$1.7 million including non-cash depreciation expenses of S\$1.4 million and a non-cash asset write-off of S\$0.3 million. On 4 November 2015, the Group announced an increase in its investment in MMUS to US\$10.5 million from US\$4.5 million by way of capitalizing an inter-company loan. During the financial year, the Company carried out a review of the recoverable amount of its investment in MMUS. Based on the estimated realisable value of the net assets of MMUS, an impairment allowance of S\$2.9 million was made. An impairment allowance of S\$3.5 million was made in FY2015. The impairment is of concern although the impairment allowance has no impact to the Group's bottom-line.

Our efforts to build a separate CMA division geared to manufacturing parts for equipment makers in the semiconductor, aerospace, laser and other high-technology industries has been challenging. 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 have 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. As a result, from the beginning of FY2017, we will end our efforts to build a separate CMA division serving multiple industry segments. We believe this strategy, which brings all five of the Group's plants into a common focus, is the right approach for the Group.

As we begin a new financial year, our financial position remains strong with more than S\$20 million in cash and no bank borrowings. During FY2016, we generated net cash from operating activities of S\$16.3 million, up significantly from S\$14.1 million in the previous year. After net investing activity of S\$3.7 million and distributing S\$7.0 million in dividends to our shareholders, the Group's cash position at the end of FY2016 increased by 32% to S\$20.1 million from S\$15.2 million at the end of FY2015.

Market, Industry and Competitive Conditions

On a short-term basis, business forecasting and planning will remain difficult. Visibility continues to be clouded by a host of political and economic uncertainties while continued unrest in various parts of the world make markets unpredictable, volatile and cost-competitive.

After declining 5.8% during the first six months of 2016, market watchers are expecting a sluggish year for the semiconductor industry with the World Semiconductor Trade Statistics predicting a contraction of 2.4% in 2016 before growth resumes in 2017. In addition, as the chip industry becomes increasingly driven by the demand for consumer electronics, we continue to see increased price and delivery pressures from our customers. Together with slow demand, rising costs and a shortage of skilled workers, which are being further exacerbated by a host of companies relocating to Asia from higher-cost locations, the operating environment for the Group is likely to remain challenging.

Key Operating Strategies

Despite the difficult operating environment, we understand what is required for the Group to sustain its growth over the long term. We are continuing to focus on our customers and the value we bring to their businesses. Whether we design and manufacture a tool for a delicate semiconductor assembly process or machine a part used in a critical wafer-processing application, our mission is to deliver *Perfect Parts and Tools, On Time, Every Time* based on repeatable, scalable and cost-effective processes.

Whether it is dealing with cost pressures, implementing complex engineering initiatives or improving our day-to-day processes, we need to foster a culture -- or the way our people make decisions and work together -- that exemplifies excellence, innovation, respect, fairness, integrity, teamwork and continuous improvement. This is an important undertaking and to support the effort we began a training program several years ago called *MM University*. Beginning with a series of workshops on *Customer Value, Business Planning, 24/7 Machining*, and *The Fundamentals of Value-Driven Decision Making*, our initial goal was to help our people understand the need for a shared framework for making more informed and aligned decisions based on the Group's vision, mission and key strategies.

If there is anything we have learned during the last few years it is that building a strong, effective and sustainable culture takes more than a series of workshops. Instead, the training material needs to be easy for our people to understand and use in their daily work and decision making and the overall effort must seamlessly connect with the Group's other key strategies. To this end, we recently completed the development of the Group's first textbook. When customized to the specific progress initiatives of each of our five subsidiaries and to the role each person plays, we want everyone at Micro-Mechanics to have a tool they can refer to everyday as they make decisions, take actions and help us build a strong and unified culture based on our core values.

Transparency and Governance

On 20 July 2016, we received the Silver Award for *Best Managed Board* by the judging panel of the Singapore Corporate Awards (SCA) 2016. This was the third time Micro-Mechanics has been recognised for our board management by the SCA. With this award, the Group has received recognition 19 times since 2003 for our good corporate governance and transparency practices.

In the newly launched Singapore Governance and Transparency Index (SGTI) 2016 released on 4 August 2016, Micro-Mechanics achieved a score of 85 points to rank 27th out of 631 companies listed on the Singapore Exchange. The top 30 companies in the SGTI comprised mainly large capitalisation companies scoring 84 points or more.

Transparency within an organisation - accurate, complete and timely information - is the foundation for sound decision making. We intend to continue working to build a strong corporate culture that embraces transparency and an unwavering commitment to good governance.

Appreciation

At Micro-Mechanics, we are fond of saying that *People Make Everything Happen*. This core value is central to the way we operate and our policies, compensation and everyday practices are designed to recognise the indispensable role our people play in the Group's long-term success.

Since our listing in 2003, we have also had a consistent practice of rewarding shareholders for their support of Micro-Mechanics. Subject to approval at the upcoming Annual General Meeting on 28 October 2016, we plan to distribute a final dividend of 3 cents and special dividend of 1 cent per ordinary share. This will bring the total dividend payment for FY2016 to 6 cents per ordinary share. Including this final dividend for FY2016, we would have distributed a total of 45.9 cents to our shareholders since 2003. Based on dividends alone, this translates into a return of more than 240% for our shareholders who bought Micro-Mechanics shares at our Initial Public Offer.

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

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes

Name of	Interim Dividend paid on 25 February 2016	Final Dividend Recommended by Directors on 29 August 2016
Dividend Type	Cash	Cash
Dividend Amount	Interim dividend 2.0 cents per ordinary share (one tier tax-exempt)	Final dividend 3.0 cents per ordinary share (one tier tax-exempt) Special dividend 1.0 cent per ordinary share (one tier tax-exempt)
Tax rate	0% (one tier tax-exempt)	0% (one tier tax-exempt)

The directors have recommended a final dividend of 3.0 cents and a special dividend of 1.0 cent per ordinary share (one tier tax-exempt) amounting to approximately S\$5.6 million.

(b) Corresponding Period of the Immediately Preceding Financial Year

A final dividend of 2.0 cents and special dividend of 1.0 cent per ordinary share (one tier tax-exempt) in respect of FY2015 was approved during the Annual General Meeting held on 28 October 2015 and paid on 18 November 2015.

An interim dividend of 1.0 cent and special dividend of 1.0 cent per ordinary share (one tier tax-exempt) was paid on 17 February 2015 in respect of FY2015.

(c) Date payable

Payment of the dividend, if approved by the members at the Twentieth Annual General Meeting to be held on 28 October 2016, will be paid on 18 November 2016.

(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 9 November 2016 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 8 November 2016 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 8 November 2016 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 2016, the Group has made rental payment of US\$338,000 (30 June 2015: US\$56,000) 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 FY2016

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

Major customers

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

	Singapore	Malaysia	The Philippines	USA	China	Total
	\$	\$	\$	\$	\$	\$
2016						
Revenue	936,535	2,987,276	2,755,796	5,616,893	2,560,994	14,857,494
Number of customers	1	2	4	4	1	12

Operating Segments FY2015

	Singapore	Malaysia	The Philippines	Thailand	USA	China	Elimination	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue from external customers	13,353,439	11,757,326	4,621,355	309,154	9,093,624	13,062,148	-	52,197,046
Inter-segment revenue	6,005,947	1,399,997	506,301	25,279	52,308	-	(7,989,832)	-
Total revenue	19,359,386	13,157,323	5,127,656	334,433	9,145,932	13,062,148	(7,989,832)	52,197,046
Segment result	6,221,582	5,401,192	2,162,853	(319,541)	(1,051,008)	4,021,443	(784,452)	15,652,069
Unallocated expenses								(264,162)
Profit from operations								15,387,907
Income tax expense								(3,366,658)
Net profit for the year								12,021,249
Segment asset	22,374,284	12,922,155	2,888,332	607,977	11,963,630	9,054,542	(6,478,556)	53,332,364
Unallocated assets								2,425,413
Others								
Total assets								55,757,777
Segment liabilities	7,549,638	879,748	2,526,223	12,797	6,854,960	1,165,562	(13,527,581)	5,461,347
Unallocated liabilities								
Income tax								2,775,051
Others								635,462
Total liabilities								8,871,860
Other segment information:								
Capital expenditure	1,929,480	253,864	624,210	-	1,994,579	114,218	-	4,916,351
Depreciation	1,347,512	944,811	366,832	45,189	1,276,679	690,570	-	4,671,593
Non-current assets (excluding deferred tax assets)	10,009,189	4,785,073	1,462,994	-	8,731,356	1,937,419	(7,240)	26,918,791

Major customers

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

	Singapore	Malaysia	The Philippines	Thailand	USA	China	Total
	\$	\$	\$	\$	\$	\$	\$
2015							
Revenue	971,954	3,718,959	2,594,458	131,286	4,639,310	2,940,554	14,996,521
Number of customers	1	3	3	3	2	1	13

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/
	FY2016	FY2015	(decrease)
	S\$	S\$	
Sales reported for first half year	25,793,047	25,932,176	(0.5%)
Operating profit after tax before deducting non-controlling interest reported for first half year	6,316,390	5,470,352	15.5%
Sales reported for second half year	25,457,995	26,264,870	(3.1%)
Operating profit after tax before deducting non-controlling interest reported for second half year	5,567,019	6,550,897	(15.0%)

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 (FY2016)	Previous Full Year (FY2015)
	S\$	S\$
Ordinary	8,341,913	6,951,594
Preference	-	-
Total:	8,341,913	6,951,594

Note: The total annual dividend comprises the interim dividend of S\$2,780,638 paid on 25 February 2016 and the proposed final dividend of S\$5,561,275.

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
29 August 2016