

MICRO-MECHANICS (HOLDINGS) LTD

Unaudited First Quarter Financial Statements Announcement for the period ended 30/09/2016

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FIRST QUARTER RESULTS

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

	Note	Group (First Quarter) 3 months ended		
		30 Sep 16 S\$	30 Sep 15 S\$	Change
Revenue	(1)	13,358,519	13,602,850	(1.8%)
Cost of sales	(2)	(5,697,615)	(5,806,784)	(1.9%)
Gross profit		7,660,904	7,796,066	(1.7%)
Other income	(3)	282,867	517,709	(45.4%)
Distribution costs		(735,856)	(751,865)	(2.1%)
Administrative expenses	(4)	(1,941,115)	(2,136,141)	(9.1%)
Other operating expenses	(5)	(762,575)	(772,108)	(1.2%)
Profit from operations		4,504,225	4,653,661	(3.2%)
Finance costs		-	-	-
Profit before income tax	(6)	4,504,225	4,653,661	(3.2%)
Income tax expense	(7)	(1,123,737)	(1,059,923)	6.0%
Profit after tax		3,380,488	3,593,738	(5.9%)
Non-controlling interests		-	-	-
Profit for the period		3,380,488	3,593,738	(5.9%)
Statement of Comprehensive Income				
Profit for the period		3,380,488	3,593,738	(5.9%)
Other comprehensive income:				
Foreign currency translation differences for foreign operations, net of tax		(135,243)	(1,230,833)	(89.0%)
Total comprehensive income for the period		3,245,245	2,362,905	37.3%

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 decline in sales. Production headcount increased from 295 in 1Q16 to 310 in 1Q17. Depreciation decreased by S\$26k in 1Q17 compared to 1Q16.

(3) Other income consists of:

	Group (First Quarter) 3 months ended		
	30 Sep 16 S\$	30 Sep 15 S\$	Change
Gain on disposal of property, plant and equipment	3,529	94,482	(96.3%)
Interest income	35,609	36,677	(2.9%)
Rental income	28,893	28,350	1.9%
Government grant – Skills Redevelopment, Wage Credit, and Capability Development Scheme	13,326	9,350	42.5%
Exchange gain	190,352	327,849	(41.9%)
Others	11,158	21,001	(46.9%)

(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:

	Group (First Quarter) 3 months ended		
	30 Sep 16 S\$	30 Sep 15 S\$	Change
Depreciation of property, plant and equipment	1,078,432	1,145,834	(5.9%)
Inventories written off	28,602	14,945	91.4%
Fixed assets written off	4,278	309	1284.5%

(7) The effective tax rate for 1Q17 was 24.9% as compared to 22.8% for 1Q16. Included in the tax expense for the current quarter is a provision of S\$111k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

(8) Depreciation expenses in 1Q17 decreased by 5.9% to S\$1.1 million as certain assets have been fully depreciated.

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 Sep 16 S\$	Group 30 Jun 16 S\$	Company 30 Sep 16 S\$	Company 30 Jun 16 S\$
Non-current assets					
Property, plant and equipment		25,365,108	25,551,395	-	-
Subsidiaries			-	18,364,744	18,364,744
Trade and other receivables		202,499	93,387	973,332	961,349
		25,567,607	25,644,782	19,338,076	19,326,093
Current assets					
Inventories		3,251,409	3,279,002	-	-
Trade and other receivables		10,435,163	10,337,194	2,406,083	3,768,101
Cash and cash equivalents		23,650,342	20,075,178	10,880,172	9,595,997
		37,336,914	33,691,374	13,286,255	13,364,098
Total assets		62,904,521	59,336,156	32,624,331	32,690,191
Shareholders' equity					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(1)	(5,069,310)	(4,934,067)	-	-
Accumulated profits		43,775,171	40,394,683	17,414,404	17,550,014
		53,488,792	50,243,547	32,197,335	32,332,945
Non-current liabilities					
Deferred tax liabilities		1,428,124	1,307,986	-	-
Other payables & accrual		243,418	239,401	-	-
		1,671,542	1,547,387	-	-
Current liabilities					
Trade and other payables		5,777,461	5,948,920	421,960	352,210
Current tax payable		1,966,726	1,596,302	5,036	5,036
		7,744,187	7,545,222	426,996	357,246
Total liabilities		9,415,729	9,092,609	426,996	357,246
Total equity and liabilities		62,904,521	59,336,156	32,624,331	32,690,191

Notes:

- (1) The movement in foreign currency translation reserves was mainly due to the depreciation of Malaysian 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 Sep 16		As at 30 Sep 15	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 Sep 16		As at 30 Sep 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 (First Quarter) 3 months ended	
		30 Sep 2016 S\$	30 Sep 2015 S\$
Cash flows from operating activities			
Profit before income tax		4,504,225	4,653,661
Adjustments for:			
Depreciation of property, plant and equipment		1,078,432	1,145,834
Fixed assets written off		4,278	309
Gain on disposal of property, plant and equipment		(3,529)	(94,482)
Interest income		(35,609)	(36,677)
Operating profit before changes in working capital		5,547,797	5,668,645
Inventories		(29,326)	23,530
Trade and other receivables		(402,156)	(931,131)
Trade and other payables		(220,635)	518,300
Cash generated from operations		4,895,680	5,279,344
Income tax paid		(622,202)	(577,640)
Net cash from operating activities		4,273,478	4,701,704
Cash flows from investing activities			
Purchase of property, plant and equipment	(1)	(889,904)	(769,584)
Proceeds from disposal of property, plant and equipment		3,530	200,263
Interest received		63,803	66,182
Net cash used in investing activities		(822,571)	(503,139)
Cash flows from financing activities			
Deposits pledged		-	17,925
Net cash from - financing activities		-	17,925
Net increase in cash and cash equivalents		3,450,907	4,216,490
Cash and cash equivalents at beginning of period		19,907,478	14,983,111
Effect of exchange rate fluctuations		127,257	(1,410,522)
Cash and cash equivalents at the end of period	(2)	23,485,642	17,789,079

Notes:

(1) The Group purchased approximately S\$0.8 million of equipment for its factories in Singapore and Malaysia.

(2) Cash and cash equivalents is derived from:

	Group 30 Sep 16 S\$	Group 30 Sep 15 S\$
Cash and cash equivalent balances	23,650,342	17,949,326
Less: Pledged cash placed with bank	(164,700)	(160,247)
	23,485,642	17,789,079

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

	Share Capital S\$	Foreign Currency Translation Reserve S\$	Accumulated Profits S\$	Total S\$
The Group				
As at 1 July 2015	14,782,931	(3,359,883)	35,462,869	46,885,917
Total comprehensive income for the period:				
Profit for the period	-	-	3,593,738	3,593,738
Other comprehensive income:				
Foreign currency translation difference	-	(1,230,833)	-	(1,230,833)
Total comprehensive income for the period	-	(1,230,833)	3,593,738	2,362,905
As at 30 Sep 2015	14,782,931	(4,590,716)	39,056,607	49,248,822
As at 1 July 2016	14,782,931	(4,934,067)	40,394,683	50,243,547
Total comprehensive income for the period:				
Profit for the period	-	-	3,380,488	3,380,488
Other comprehensive income:				
Foreign currency translation difference	-	(135,243)	-	(135,243)
Total comprehensive income for the period	-	(135,243)	3,380,488	3,245,245
As at 30 Sep 2016	14,782,931	(5,069,310)	43,775,171	53,488,792

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
The Company				
As at 1 July 2015	14,782,931	-	16,639,957	31,422,888
Total comprehensive income for the period:				
Profit for the period	-	-	1,481,231	1,481,231
Total comprehensive income for the period	-	-	1,481,231	1,481,231
As at 30 Sep 2015	14,782,931	-	18,121,188	32,904,119
As at 1 July 2016	14,782,931	-	17,550,014	32,332,945
Total comprehensive income for the period:				
Profit for the period	-	-	(135,610)	(135,610)
Total comprehensive income for the period	-	-	(135,610)	(135,610)
As at 30 Sep 2016	14,782,931	-	17,414,404	32,197,335

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

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

Not applicable.

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

The figures have not been audited or reviewed by the 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 (First Quarter) 3 months ended	
	30 Sep 2016	30 Sep 2015
Earnings per ordinary share for the period based on net profit after tax and non-controlling interest:-		
(i) Based on weighted average number of ordinary shares in issue	2.43 cents	2.58 cents
(ii) On a fully diluted basis	2.43 cents	2.58 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 Sep 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 Sep 16	Group 30 Jun 16	Company 30 Sep 16	Company 30 Jun 16
Net Asset Value per ordinary share (cents)	38.47	36.14	23.16	23.26

The net asset value per ordinary share is calculated based on net assets of S\$53.5 million (30 June 2016: S\$50.2 million) and 139,031,881 (30 June 2016: 139,031,881) shares in issue at the end of the current financial year reported on/immediately preceding financial year.

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

REVIEW OF PROFIT AND LOSS

Semiconductor industry review

According to statistics compiled by the Semiconductor Industry Association (SIA), world-wide chip sales declined 4.9% during the first eight months of 2016. Although the industry's sales picked up slightly to grow 0.5% year-on-year (yoy) in August 2016, it is still too early to know if this marks the start of an uptrend. Overall, market watchers are expecting a sluggish year for the semiconductor industry with the World Semiconductor Trade Statistics (WSTS) predicting a contraction of 3.2% in 2016 before growth resumes in 2017.

Group Revenue

REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2017	S\$13,358,519	NA	NA	NA	NA
FY2016	S\$13,602,850	S\$12,190,197	S\$12,529,565	S\$12,928,430	S\$51,251,042	
% growth	(1.8%)	NA	NA	NA	NA	

For the three months ended 30 September 2016 (1Q17), the Group registered revenue of S\$13.4 million, a marginal decrease of 1.8% from its record quarterly sales of S\$13.6 million in 1Q16. This was due to slower demand from customers and the translational impact of the depreciation of the Chinese Renminbi, Phillipine Peso and US Dollar by 9%, 5% and 3% respectively against the Group's reporting currency in Singapore Dollars.

On a quarter-on-quarter (qoq) basis, Group revenue in 1Q17 increased 3.3% from S\$12.9 million in 4Q16 due to higher sales in Malaysia, China, Taiwan and Philippines.

Revenue breakdown by Geographical Market

Country	4Q16		1Q17		1Q16		% change
	S\$ m	%	S\$ m	%	S\$ m	%	
Singapore	0.9	7%	0.9	7%	0.8	6%	15.4%
Malaysia	2.8	22%	3.0	23%	2.7	20%	12.7%
Philippines	1.1	9%	1.2	9%	1.3	9%	(3.5%)
Thailand	0.4	3%	0.4	3%	0.3	2%	64.0%
China	3.4	26%	3.5	26%	4.2	31%	(15.9%)
USA	1.9	15%	1.7	13%	1.8	13%	(4.8%)
Europe	0.6	4%	0.6	4%	0.6	5%	(14.2%)
Japan	0.3	2%	0.3	2%	0.2	2%	20.0%
Taiwan	1.2	10%	1.3	10%	1.4	10%	(6.1%)
Rest of world	0.3	2%	0.5	3%	0.3	2%	20.0%
	12.9	100%	13.4	100%	13.6	100%	(1.8%)

Sales in China declined 15.9% to S\$3.5 million due to slower demand from its domestic customers and the effect of the Chinese Renminbi's 9% depreciation against the Singapore Dollar. Nonetheless, China remained our largest geographical market with a 26% contribution to Group revenue in 1Q17. Sales from our second largest market, Malaysia, increased 12.7% to S\$3.0 million in 1Q17 and accounted for 23% of Group revenue. Sales from the Group's other markets were generally lower in 1Q17 as compared to 1Q16.

Capacity Utilisation

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

Our average capacity utilisation rate increased to 56% in 1Q17 from 54% in 1Q16, comparable to 4Q16.

Gross Profit (GP) Margin

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

The Group's gross profit (GP) decreased 1.7% to S\$7.7 million in 1Q17 which was in line with the 1.8% revenue decline during the quarter. Our GP margin remained constant at 57.3% in 1Q17 as compared to 1Q16.

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

Admin, Distribution and Other Operating Expenses (net of other income)		1Q	2Q	3Q	4Q	Full Year
	FY2017 % of sales	S\$3,156,679 23.6%	NA	NA	NA	NA
	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%

Other income in 1Q17 decreased 45.4% to S\$283k as compared to S\$518k in 1Q16. This was due mainly to the absence of gain from disposal of machines and lower exchange gain arising from the appreciation of the US Dollar since the beginning of 1Q17.

We continued to keep a tight rein on our expense structure during 1Q17. Distribution costs decreased 2.1% to S\$736k due to lower payment of sales incentive. Administrative expenses decreased by 9.1% to S\$1.9 million from S\$2.1 million due mainly to lower salary and related benefits, lesser travel expenses and lower bonus incentive accrued. Other operating expenses decreased marginally by 1.2% to S\$763k.

In aggregate, our administrative, distribution and other operating expenses (inclusive of other income) in 1Q17 increased marginally to S\$3.16 million from S\$3.14 million in 1Q16. As a percentage of Group sales, these overhead expenses increased slightly to 23.6% in 1Q17 from 23.1% in the same period a year ago.

Profit before Tax and Net Profit

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2017	S\$3,380,488	NA	NA	NA	NA
	FY2016	S\$3,593,738	S\$2,722,652	S\$2,736,006	S\$2,831,013	S\$11,883,409
	% growth	(5.9%)	NA	NA	NA	NA

As a result of the above factors, the Group recorded a 3.2% decrease in profit before tax to S\$4.5 million in 1Q17 from S\$4.7 million in 1Q16. After deducting income tax of S\$1.1 million (S\$1.1 million in 1Q16), the Group reported a net profit of S\$3.4 million in 1Q17. This was a decrease of 5.9% from S\$3.6 million in 1Q16 but a 19.4% improvement from S\$2.8 million in 4Q16. Net profit margin in 1Q17 was 25.3% compared to 26.4% in 1Q16 and 21.9% in 4Q16. Correspondingly, the Group's earnings per share eased to 2.43 cents in 1Q17 from 2.58 cents in 1Q16.

The effective tax rate for 1Q17 was 24.9% as compared to 22.8% for 1Q16. Tax expense for the quarter included a provision of S\$111k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

Balance Sheet

As at 30 September 2016, the Group remained in a sound financial position with a balance sheet that had total assets of S\$62.9 million, shareholders' equity of S\$53.5 million, cash and cash equivalents of S\$23.7 million and no bank borrowings.

Long Term Assets

The non-current assets was at S\$25.6 million as at 30 September 2016, unchanged from 30 June 2016.

Trade Receivables

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

Total trade receivables as at 30 September 2016 decreased to S\$9.3 million, as compared to S\$9.4 million as at 30 June 2016. Of this, 0.8% was outstanding for 90 days or more (0.1% at end of 30 June 2016). There was no bad debt expense during 1Q17 and 1Q16.

Trade & Other Payables

As at 30 September 2016, our trade payables totaled S\$1.1 million, of which S\$50k was outstanding for 30 days or more. Non-trade payables totaled S\$1.3 million. Other accrued expenses stood at S\$3.4 million.

Deferred Tax Liabilities

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

Inventory

As a percentage of annualised sales, our inventory of S\$3.3 million as at 30 September 2016 (S\$3.3 million as at 30 June 2016) was 6.1% (6.4% as at 30 June 2016). Inventory written off in 1Q17 totaled S\$29k, compared to S\$15k in 1Q16.

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2017	S\$889,904	NA	NA	NA	NA
	% of sales					
	FY2016	S\$769,584	S\$372,405	S\$1,782,395	S\$1,171,437	S\$4,095,821
	% of sales					8.0%

During 1Q17, our capital expenditure totaled S\$0.9 million mainly for new machines for our Singapore and Malaysia factories. For the entire FY2017, we expect to incur capital expenditure in the range of S\$6 million and S\$8 million.

Cash Flow Analysis

The Group generated net cash from operations of S\$4.3 million in 1Q17 (S\$4.7 million in 1Q16). After deducting net investing activities of S\$0.8 million, we closed the year with cash of S\$23.7 million including S\$0.2 million in pledged deposits.

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

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

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

Strategic, Operating and Financial Review

At the release of our full-year results for FY2016, we announced our decision to end our efforts to build a separate division geared to manufacturing parts on a contract basis for a variety of different industry segments. As at the beginning of 1Q17, we shall focus the engineering, development and investment efforts of all the Group's five factories on manufacturing parts and tools for process-critical applications, primarily for the semiconductor industry. We believe this product and industry specific approach is the right strategy for the Group.

During 1Q17, Group sales increased 3.3% to S\$13.4 million from S\$12.9 million in 4Q16, nearly matching our record quarterly performance of S\$13.6 million set one year ago in 1Q16. 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 *24/7Machining*, IT automation and department integration to improve productivity and operational efficiency. Based on these and other efforts, our GP margin in 1Q17 held steady yoy at 57.3%.

We are also continuing to work diligently 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 marginally to S\$3.16 from S\$3.14 million in the same quarter a year ago. As a by-product of our many improvement initiatives, we have gradually seen our manpower requirement decline about 25% from a headcount of 601 four years ago to 431 people at the end of FY2016. During 1Q17, we hired 20 people mainly in non-supervisory and production roles to strengthen our core manufacturing and delivery responsiveness.

After deducting taxes of S\$1.12 million (S\$1.06 million in 1Q16), the Group reported a net profit of S\$3.4 million in 1Q17. While net profit in the quarter eased 5.9% from S\$3.6 million in 1Q16, it was 19.4% higher than our net earnings of S\$2.8 million in 4Q16.

With no bank borrowings to service and a careful watch over inventory and receivables, net cash generated from operating activities in 1Q17 totaled S\$4.3 million (S\$4.7 million for 1Q16). After net investing activities of S\$0.8 million, primarily for new equipment, the Group ended the quarter in a strong financial position with S\$23.7 million in cash (including S\$165k held as security deposits) and no bank borrowings.

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.

According to statistics compiled by the SIA, world-wide chip sales declined 4.9% during the first eight months of 2016. Although industry sales grew 0.5% in August, it is too early to know if growth will resume in the remaining months of 2016. As a result, market watchers are expecting a sluggish year for the semiconductor industry with the WSTS predicting a contraction of 3.2% 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 slowing 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.

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

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

During the last few years, we have learned that it takes more than a series of workshops to build an effective decision-making framework and culture. Additionally, the training material needs to be easy for our people at all levels to understand and reference in their daily work and decision making. The context of such training and outcomes must also seamlessly connect with the Group's other key strategies. To this end, we recently completed the Group's first textbook. During FY2017, we plan to customize the textbook to the specific progress initiatives of each of our five subsidiaries and to the role each person plays. Ultimately, 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 great company.

Transparency and Governance

On 20 July 2016, we received the Silver Award for *Best Managed Board* from the judging panel of the Singapore Corporate Awards (SCA). This was the third time Micro-Mechanics has been recognised for our board management by the SCA.

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

On 30 September 2016, we were recognized by the Security Investor's Association of Singapore (SIAS) as the 2016 winner of the *Singapore Corporate Governance Award* for companies in the small and mid-cap category and the runner-up of the *Most Transparent Company Award* in the information technology category.

With these awards, the Group has received recognition 21 times since 2003 for our good corporate governance and transparency practices.

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.

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

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil.

(c) Date payable

Nil

(d) Books closure date

Nil

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 quarter ended 30 September 2016, the Group has made rental payment of US\$87,000 (30 September 2015: US\$84,000) to Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

Except for the above, there was no other interested person transaction relating to any director, controlling shareholders and their associates as defined in Chapter 9 of the Listing Manual.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results of the Group and of the Company for the financial period ended 30 September 2016 to be false or misleading in any material aspect.

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

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

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

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

Not applicable

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

Not applicable

18. A breakdown of sales.

Not Applicable

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

Not Applicable

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

Not Applicable

BY ORDER OF THE BOARD

CHOW KAM WING
Company Secretary
28 October 2016