

## MICRO-MECHANICS (HOLDINGS) LTD

### Unaudited Third Quarter Financial Statements Announcement for the period ended 31/03/2019

#### PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER RESULTS

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

	Note	Group					
		Q3			Year-to-date (9 months)		
		Jan to Mar 2019 S\$	Jan to Mar 2018 S\$	Change	Jul to Mar 2019 S\$	Jul to Mar 2018 S\$	Change
Revenue	(1)	14,358,199	16,079,175	(10.7%)	46,400,362	49,423,127	(6.1%)
Cost of sales	(2)	(7,277,206)	(7,114,716)	2.3%	(21,331,690)	(20,901,800)	2.1%
<b>Gross profit</b>		<b>7,080,993</b>	<b>8,964,459</b>	(21.0%)	<b>25,068,672</b>	<b>28,521,327</b>	(12.1%)
Other income/(expense)	(3)	176,863	289,917	(39.0%)	482,573	652,764	(26.1%)
Distribution costs	(4)	(758,684)	(811,041)	(6.5%)	(2,432,662)	(2,469,756)	(1.5%)
Administrative expenses	(5)	(2,252,763)	(2,331,692)	(3.4%)	(7,081,551)	(7,188,322)	(1.5%)
Other operating expenses	(6)	(838,064)	(882,406)	(5.0%)	(2,535,432)	(2,653,704)	(4.5%)
<b>Profit from operations</b>		<b>3,408,345</b>	<b>5,229,237</b>	(34.8%)	<b>13,501,600</b>	<b>16,862,309</b>	(19.9%)
Finance costs		-	-	-	-	-	-
<b>Profit before income tax</b>	(7)	<b>3,408,345</b>	<b>5,229,237</b>	(34.8%)	<b>13,501,600</b>	<b>16,862,309</b>	(19.9%)
Income tax expense	(8)	(796,007)	(1,118,173)	(28.8%)	(3,258,137)	(3,676,481)	(11.4%)
<b>Profit after tax</b>		<b>2,612,338</b>	<b>4,111,064</b>	(36.5%)	<b>10,243,463</b>	<b>13,185,828</b>	(22.3%)
<b>Non-controlling interests</b>		-	-	-	-	-	-
<b>Profit for the period</b>		<b>2,612,338</b>	<b>4,111,064</b>	(36.5%)	<b>10,243,463</b>	<b>13,185,828</b>	(22.3%)
<b>Statement of Comprehensive Income</b>							
Profit for the period		<b>2,612,338</b>	<b>4,111,064</b>	(36.5%)	<b>10,243,463</b>	<b>13,185,828</b>	(22.3%)
Other comprehensive income:							
Foreign currency translation differences for foreign operations, net of tax		131,432	363,645	(63.9%)	(541,113)	644,237	(184.0%)
<b>Total comprehensive income for the period</b>		<b>2,743,770</b>	<b>4,474,709</b>	(38.7%)	<b>9,702,350</b>	<b>13,830,065</b>	(29.8%)

Notes:

- (1) Please refer to section 8 of this announcement for an analysis of the Group's revenue.
- (2) Cost of sales during 3Q19 increased by S\$162k to S\$7.3 million. Production headcount increased from 329 in 3Q18 to 355 in 3Q19 mainly at our Singapore and Malaysia plants. Depreciation for production assets increased by S\$116k as a result of record capital spending of S\$12.1 million by the Group during FY2018.

- (3) Other income consists of:

	Q3			Year-to-date (9 months)		
	Jan to Mar 2019 S\$	Jan to Mar 2018 S\$	Change	Jul to Mar 2019 S\$	Jul to Mar 2018 S\$	Change
Gain/(loss) on disposal of property, plant and equipment	4,298	126,088	(96.6%)	(5,254)	246,841	(102.1%)
Interest income from banks and others	54,673	32,793	66.7%	167,574	114,540	46.3%
Rental income	31,274	29,764	5.1%	93,172	86,712	7.4%
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	28,391	43,550	(34.8%)	48,177	81,654	(41.0%)
Exchange gain	12,624	-	n.m.	79,124	-	n.m.
Others	45,603	57,722	(21.0%)	99,780	123,017	(18.9%)

n.m. - not meaningful

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

	Q3			Year-to-date (9 months)		
	Jan to Mar 2019 S\$	Jan to Mar 2018 S\$	Change	Jul to Mar 2019 S\$	Jul to Mar 2018 S\$	Change
Depreciation of property, plant and equipment	1,362,772	1,240,192	9.9%	4,079,365	3,536,152	15.4%
Depreciation of right-of-use assets	260,182	271,222	(4.1%)	809,136	815,606	(0.8%)
Exchange loss	-	26,646	(100.0%)	-	85,811	(100.0%)
Inventories written off	31,913	24,074	32.6%	72,276	83,978	(13.9%)
Interest expense on lease liabilities	28,717	22,005	30.5%	85,884	63,673	34.9%
Property, plant and equipment written off	2,480	1,836	35.1%	4,109	3,297	24.6%

After capital spending of S\$12.1 million during FY2018, the Group's total depreciation expenses increased in 3Q19 to S\$1.4 million from S\$1.2 million in 3Q18.

- (8) The effective tax rate for 3Q19 was 23.4% as compared to 21.4% in 3Q18. Included in the income tax expense for the 3Q19 was a provision made of S\$122k (S\$174k in 3Q18) in relation to withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

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

	Note	Group 31 Mar 19 S\$	Group 30 Jun 18 S\$	Group 1 Jul 17* S\$	Company 31 Mar 19 S\$	Company 30 Jun 18 S\$
<b>Non-current assets</b>						
Property, plant and equipment		31,315,436	33,265,855	26,157,348	-	-
Right-of-use assets	(1)	2,072,807	2,279,133	1,872,724	-	-
Subsidiaries		-	-	-	29,095,544	29,095,544
Trade and other receivables		199,992	125,034	439,394	-	-
Deferred tax asset		51,013	56,529	-	-	-
		33,639,248	35,726,551	28,469,466	29,095,544	29,095,544
<b>Current assets</b>						
Inventories		4,370,557	4,578,394	3,669,372	-	-
Trade and other receivables		10,317,893	11,898,398	11,906,718	325,467	2,687,634
Cash and cash equivalents		18,968,167	21,087,382	23,422,290	2,540,703	2,017,182
		33,656,617	37,564,174	38,998,380	2,866,170	4,704,816
<b>Total assets</b>		67,295,865	73,290,725	67,467,846	31,961,714	33,800,360
<b>Shareholders' equity</b>						
Share capital		14,782,931	14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(2)	361,480	902,593	-	-	-
Accumulated profits		40,959,292	44,619,017	39,988,372	16,244,928	18,472,255
		56,103,703	60,304,541	54,771,303	31,027,859	33,255,186
<b>Non-current liabilities</b>						
Deferred tax liabilities		1,802,126	1,476,961	1,406,658	538,505	192,772
Other payables & accrual		351,576	595,729	400,171	-	-
Lease liabilities	(1)	2,184,164	1,289,588	835,582	-	-
		4,337,866	3,362,278	2,642,411	538,505	192,772
<b>Current liabilities</b>						
Trade and other payables		5,739,179	7,077,091	7,810,579	389,834	346,171
Current Lease liabilities	(1)	12,194	923,845	916,621	-	-
Current tax payable		1,102,923	1,622,970	1,326,932	5,516	6,231
		6,854,296	9,623,906	10,054,132	395,350	352,402
<b>Total liabilities</b>		11,192,162	12,986,184	12,696,543	933,855	545,174
<b>Total equity and liabilities</b>		67,295,865	73,290,725	67,467,846	31,961,714	33,800,360

Notes:

- (1) Right-of-use assets related mainly to leases of various factories occupied by the Group and the recognition of the corresponding lease liabilities due to adoption of new accounting standard FRS116 Leases in the current financial year.
- (2) The movement in foreign currency translation reserves was mainly due to the depreciation of the Malaysia Ringgit and Chinese Renminbi against the Singapore Dollar.

\*The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") framework for the financial year ending 30 June 2019 and has applied SFRS(I) 1 with 1 July 2017 as the date of transition, which requires the first SFRS(I) financial statement to comprise of an opening SFRS(I) statement of financial position at the date of transition to SFRS(I)s. (Please refer to page 6 for more details).

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

**Amount repayable in one year or less or on demand**

As at 31 Mar 19		As at 30 Jun 18	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

**Amount repayable after one year**

As at 31 Mar 19		As at 30 Jun 18	
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			
		Q3		Year-to-date (9 months)	
		Jan to Mar 2019 S\$	Jan to Mar 2018 S\$	Jul to Mar 2019 S\$	Jul to Mar 2018 S\$
<b>Cash flows from operating activities</b>					
Profit for the period		2,612,338	4,111,064	10,243,463	13,185,828
Adjustments for:					
Depreciation of property, plant and equipment and right-of-use assets		1,622,954	1,511,414	4,888,501	4,351,758
Property, plant and equipment written off		2,480	1,836	4,109	3,297
(Gain)/Loss on disposal of property, plant and equipment		(4,298)	(126,088)	5,254	(246,841)
Interest income		(54,673)	(32,793)	(167,574)	(114,540)
Interest expenses on lease liabilities		28,717	22,005	85,884	63,673
Tax expenses		796,007	1,118,173	3,258,137	3,676,481
<b>Operating profit before changes in working capital</b>		5,003,525	6,605,611	18,317,774	20,919,656
Inventories		362,941	7,951	152,698	(609,075)
Trade and other receivables		922,651	(355,105)	1,355,000	(591,864)
Trade and other payables		157,632	11,638	(1,394,437)	291,779
Cash generated from operations		6,446,749	6,270,095	18,431,035	20,010,496
Income tax paid		(1,086,304)	(1,027,654)	(3,431,082)	(2,875,992)
<b>Net cash from operating activities</b>		5,360,445	5,242,441	14,999,953	17,134,504
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(1)	(899,084)	(3,362,060)	(2,385,938)	(9,348,988)
Proceeds from disposal of property, plant and equipment		8,927	224,661	10,744	606,750
Interest received		48,929	29,234	169,751	115,426
<b>Net cash used in investing activities</b>		(841,228)	(3,108,165)	(2,205,443)	(8,626,812)
<b>Cash flows from financing activities</b>					
Leases paid		(404,269)	(290,004)	(862,327)	(842,312)
Dividends paid	(2)	(5,561,275)	(5,561,275)	(13,903,188)	(12,512,869)
<b>Net cash used in financing activities</b>		(5,965,544)	(5,851,279)	(14,765,515)	(13,355,181)
<b>Net decrease in cash and cash equivalents</b>		(1,446,327)	(3,717,003)	(1,971,005)	(4,847,489)
Cash and cash equivalents at beginning of period		20,192,534	22,230,310	20,918,381	23,261,940
Effect of exchange rate fluctuations		55,860	166,174	(145,309)	265,030
<b>Cash and cash equivalents at the end of period</b>	(3)	18,802,067	18,679,481	18,802,067	18,679,481

Notes:

- (1) The Group purchased approximately S\$0.9 million of equipment for its factories in the Singapore and China.
- (2) The Company paid an interim dividend of 4.0 cents per ordinary share (one-tier tax exempt) in respect of FY2019.

(3) Cash and cash equivalent is derived from:

	<b>Group 31 Mar 19 S\$</b>	<b>Group 31 Mar 18 S\$</b>
Cash and cash equivalent balances	18,968,167	18,849,031
Less: Pledged cash placed with bank	(166,100)	(169,550)
	18,802,067	18,679,481

**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.**

	<b>Share Capital S\$</b>	<b>Foreign Currency Translation Reserve S\$</b>	<b>Accumulated remeasurement on retirement benefits S\$</b>	<b>Accumulated Profits S\$</b>	<b>Total S\$</b>
<b>The Group</b>					
As at 1 July 2017	14,782,931	(5,436,297)		45,424,669	54,771,303
Effect on transition to SFRS(I)s – (Note 1)	-	5,436,297	-	(5,436,297)	-
<b>Balance as at 1 Jul 2017 (SFRS(I))</b>	14,782,931	-	-	39,988,372	54,771,303
<b>Total comprehensive income for the period:</b>					
Net profit for the period	-	-	-	13,185,828	13,185,828
<b>Other comprehensive income:</b>					
Foreign currency translation differences	-	644,237	-	-	644,237
Total comprehensive income for the period	-	644,237	-	13,185,828	13,830,065
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend of 4 cents per share and special dividend of 1 cent per share (one-tier tax exempt) in respect of FY2017	-	-	-	(6,951,594)	(6,951,594)
Interim dividend of 4 cents per share (one-tier tax exempt) in respect of FY2018	-	-	-	(5,561,275)	(5,561,275)
Total transactions with owners, recorded directly in equity	-	-	-	(12,512,869)	(12,512,869)
<b>As at 31 March 2018</b>	<b>14,782,931</b>	<b>644,237</b>	<b>-</b>	<b>40,661,331</b>	<b>56,088,499</b>
As at 1 July 2018	14,782,931	855,088	47,505	44,619,017	60,304,541
<b>Total comprehensive income for the period</b>					
Net profit for the period	-	-	-	10,243,463	10,243,463
<b>Other comprehensive income</b>					
Foreign currency translation differences, net of tax	-	(541,113)	-	-	(541,113)
Total comprehensive income for the period	-	(541,113)	-	10,243,463	9,702,350
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend of 5 cents per share and special dividend of 1 cent per share (one-tier tax exempt) in respect of FY2018	-	-	-	(8,341,913)	(8,341,913)
Interim dividend of 4 cents per share (one-tier tax exempt) in respect of FY2019	-	-	-	(5,561,275)	(5,561,275)
Total transactions with owners, recorded directly in equity	-	-	-	(13,903,188)	(13,903,188)
<b>As at 31 March 2019</b>	<b>14,782,931</b>	<b>313,975</b>	<b>47,505</b>	<b>40,959,292</b>	<b>56,103,703</b>

Note 1

The Group has adopted SFRS(I) for the financial year ending 30 June 2019 and has applied SFRS(I) 1 with 1 July 2017 as the date of transition for the Group and the Company.

The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Foreign Currency Translation Reserve (“FCTR”) for all foreign operations to NIL at the date of transition, and reclassify the cumulative FCTR of approximately S\$5.44 million as at 1 July 2017 as determined in accordance with the previous Financial Reporting Standards (FRS) at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

	Share Capital	Foreign Currency Translation Reserve	Accumulated remeasurement on retirement benefits	Accumulated Profits	Total
	S\$	S\$	S\$	S\$	S\$
<b>The Company</b>					
As at 1 July 2017	<b>14,782,931</b>	-	-	<b>17,961,838</b>	<b>32,744,769</b>
<b>Total comprehensive income for the period</b>					
Net profit for the period	-	-	-	8,648,221	8,648,221
Total comprehensive income for the period	-	-	-	8,648,221	8,648,221
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend of 4 cents per share and special dividend of 1 cent per share (one-tier tax exempt) in respect of FY2017	-	-	-	(6,951,594)	(6,951,594)
Interim dividend of 4 cents per share (one-tier tax exempt) in respect of FY2018	-	-	-	(5,561,275)	(5,561,275)
Total transactions with owners, recorded directly in equity	-	-	-	(12,512,869)	(12,512,869)
<b>As at 31 March 2018</b>	<b>14,782,931</b>	-	-	<b>14,097,190</b>	<b>28,880,121</b>
As at 1 July 2018	<b>14,782,931</b>	-	-	<b>18,472,255</b>	<b>33,255,186</b>
<b>Total comprehensive income for the period</b>					
Net profit for the period	-	-	-	11,675,861	11,675,861
Total comprehensive income for the period	-	-	-	11,675,861	11,675,861
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend of 5 cents per share and special dividend of 1 cent per share (one-tier tax exempt) in respect of FY2018	-	-	-	(8,341,913)	(8,341,913)
Interim dividend of 4 cents per share (one-tier tax exempt) in respect of FY2019	-	-	-	(5,561,275)	(5,561,275)
Total transactions with owners, recorded directly in equity	-	-	-	(13,903,188)	(13,903,188)
<b>As at 31 March 2019</b>	<b>14,782,931</b>	-	-	<b>16,244,928</b>	<b>31,027,859</b>

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

Nil

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

The total number of shares were 139,031,881 ordinary shares as at both 31 March 2019 and 31 March 2018. The Company did not have any treasury shares as at the end of the current financial period or at the end of the immediately preceding year.

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

Not applicable.

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared to the most recent audited financial statements for the financial year ended 30 June 2018.

**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 adopted SFRS(I) for the financial year ending 30 June 2019 and has applied SFRS(I) 1 with 1 July 2017 as the date of transition for the Group and the Company.

The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Foreign Currency Translation Reserve ("FCTR") for all foreign operations to NIL at the date of transition, and reclassify the cumulative FCTR of approximately S\$5.44 million as at 1 July 2017 as determined in accordance with the previous Financial Reporting Standards (FRS) at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

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

	GROUP			
	Q3		Year-to-date (9 months)	
	Jan to Mar 2019	Jan to Mar 2018	Jul to Mar 2019	Jul to Mar 2018
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	1.88 cents	2.96 cents	7.37 cents	9.48 cents
(ii) On a fully diluted basis	1.88 cents	2.96 cents	7.37 cents	9.48 cents

The calculation is based on the weighted average number of shares in issue during the financial year. The weighted average number of shares outstanding during the year was 139,031,881 (31 March 2018: 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.**

	<b>Group 31 Mar 19</b>	<b>Group 30 Jun 18</b>	<b>Company 31 Mar 19</b>	<b>Company 30 Jun 18</b>
Net Asset Value per ordinary share (cents)	40.33	43.37	22.32	23.92

The net asset value per ordinary share is calculated based on net assets of S\$56.1 million (30 June 2018: S\$60.3 million) and 139,031,881 (30 June 2018: 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*

The Semiconductor Industry Association (SIA) said the global semiconductor industry is presently experiencing a period of slowing sales following three consecutive years of record revenues which reached US\$469 billion in 2018.

According to statistics compiled by SIA, worldwide chip sales for the months of January and February 2019 declined 12.3% to US\$62.4 billion, compared to US\$71.3 billion in the corresponding period of 2018. The SIA said sales were lower across all major product categories and major regional markets during the first two months of 2019 on both a year-to-year and month-to-month basis.

On 20 February 2019, the World Semiconductor Trade Statistics (WSTS) said it now expects the global semiconductor market to be down by 3.0% to US\$454.5 billion in 2019. In its previous forecast in November 2018, the WSTS projected global chip sales to grow 2.6% to US\$490 billion in 2019.

### *Group Revenue*

		<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>Full Year</b>
<b>REVENUE</b>	<b>FY2019</b>	<b>S\$16,884,314</b>	<b>S\$15,157,849</b>	<b>S\$14,358,199</b>	<b>NA</b>	<b>NA</b>
	<b>FY2018</b>	<b>S\$17,694,454</b>	<b>S\$15,649,498</b>	<b>S\$16,079,175</b>	<b>S\$15,678,731</b>	<b>S\$65,101,858</b>
	<b>% growth</b>	<b>(4.6%)</b>	<b>(3.1%)</b>	<b>(10.7%)</b>	<b>NA</b>	<b>NA</b>

For the three months ended 31 March 2019 (3Q19), the Group's revenue decreased 10.7% year-on-year (yoy) to S\$14.4 million from S\$16.1 million in 3Q18. Sales were lower across the majority of our geographical markets, reflecting the cyclical slowdown in the global semiconductor industry.

On a quarter-on-quarter (qoq) basis, Group revenue in 3Q19 decreased 5.3% from S\$15.2 million in 2Q19 mainly due to lower sales to customers in the Philippines, Malaysia and Singapore.

For the nine months ended 31 March 2019 (9M19), Group revenue decreased 6.1% to S\$46.4 million from S\$49.4 million in 9M18. This was mainly due to lower sales in the Singapore, Malaysia and China markets as a result of the slowdown in the global chip industry since the second half of 2018.

### Revenue breakdown by Geographical Market

Country	Group										
	2Q19	3Q19		3Q18		%	9M19		9M18		%
	SS m	SS m	%	SS m	%	change	SS m	%	SS m	%	change
Singapore	0.9	0.6	4.1%	1.2	7.5%	(51.8%)	2.4	5.3%	4.3	8.7%	(43.3%)
Malaysia	3.0	2.6	18.0%	2.8	17.7%	(9.4%)	8.6	18.6%	9.2	18.7%	(6.6%)
Philippines	1.8	1.3	9.2%	1.6	9.7%	(15.8%)	4.9	10.5%	4.8	9.8%	0.8%
Thailand	0.3	0.3	1.7%	0.3	1.9%	(16.2%)	0.9	1.8%	0.9	1.8%	(4.1%)
China	3.8	4.0	28.0%	4.4	27.2%	(8.0%)	13.3	28.8%	13.7	27.7%	(2.6%)
USA	3.2	3.4	23.7%	3.2	19.6%	7.7%	9.6	20.7%	8.9	18.0%	7.8%
Europe	0.6	0.6	4.4%	0.6	4.1%	(3.9%)	1.9	4.1%	1.9	3.8%	2.0%
Japan	0.3	0.3	1.7%	0.3	1.8%	(18.6%)	0.8	1.6%	0.9	1.9%	(18.1%)
Taiwan	1.1	1.1	7.7%	1.2	7.5%	(7.9%)	3.3	7.1%	3.4	6.9%	(2.9%)
Rest of world	0.2	0.2	1.5%	0.5	3.0%	(52.2%)	0.7	1.5%	1.4	2.7%	(49.3%)
<b>Total</b>	<b>15.2</b>	<b>14.4</b>	<b>100%</b>	<b>16.1</b>	<b>100%</b>	<b>(10.7%)</b>	<b>46.4</b>	<b>100%</b>	<b>49.4</b>	<b>100%</b>	<b>(6.1%)</b>

In 3Q19, the Group witnessed lower yoy sales across its markets with the exception of the USA market. While sales in China decreased 8.0% to S\$4.0 million in 3Q19, it remained as our largest geographical market with a 28.0% contribution to Group revenue. Sales in Malaysia decreased 9.4% to S\$2.6 million in 3Q19 and accounted for 18.0% of Group revenue.

On the other hand, sales in the USA recorded an increase of 7.7% to S\$3.4 million in 3Q19, which made it our second largest market with 23.7% of Group revenue.

For 9M19, China was our largest market with a contribution of 28.8% to Group revenue, followed by the USA and Malaysia with revenue contributions of 20.7% and 18.6% respectively.

### Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2019	58%	59%	55%	NA	NA
	FY2018	64%	62%	59%	60%	61%

Our average capacity utilisation rate declined to 55% in 3Q19 compared to 59% in 3Q18 in tandem with the decrease in Group sales and the additional production capacity that was installed during FY2018.

### Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2019	59.5%	52.4%	49.3%	NA	NA
	FY2018	60.9%	56.1%	55.8%	54.6%	57.0%

The Group's gross profit decreased 21.0% to S\$7.1 million in 3Q19 from S\$9.0 million in 3Q18. The Group's GP margin in 3Q19 decreased to 49.3%, as compared to 55.8% in 3Q18. This was mainly attributable to an increase in our production headcount, higher depreciation expenses for additional machines purchased during FY2018, as well as the impact from the slowdown in the semiconductor industry.

For 9M19, the Group's GP margin also eased slightly to 54.0% compared to 57.7% in 9M18.

**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
	FY2019	S\$4,047,737	S\$3,846,687	S\$3,672,648	NA	NA
	% of sales	24.0%	25.4%	25.6%	NA	NA
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%	

The Group recorded other income of S\$177k in 3Q19 as compared to S\$290k in 3Q18 mainly due to the absence of gain on disposal of machines in the current quarter. We maintained tight control over our expense structure during 3Q19. Our distribution costs of S\$759k and administrative expenses of S\$2.3 million were comparable to their respective amounts in 3Q18. Other operating expenses decreased 5.0% to S\$838k in 3Q19 from S\$882k in 3Q18 mainly due to the absence of foreign exchange loss of S\$27k incurred in 3Q18.

In aggregate, our administrative, distribution and other operating expenses (inclusive of other income) in 3Q19 was maintained at S\$3.7 million. As a percentage of Group sales, these overhead expenses increased to 25.6% in 3Q19 from 23.2% in the same quarter a year ago.

**Profit before Tax and Net Profit**

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2019	S\$4,506,172	S\$3,124,950	S\$2,612,338	NA	NA
	FY2018	S\$5,170,990	S\$3,903,774	S\$4,111,064	S\$3,957,686	S\$17,143,514
% growth	(12.9%)	(20.0%)	(36.5%)	NA	NA	

As a result of the above, the Group recorded a 34.8% decrease in profit before tax to S\$3.4 million in 3Q19 from S\$5.2 million in 3Q18. After deducting income tax of S\$0.8 million in 3Q19 (S\$1.1 million in 3Q18), the Group's net profit decreased 36.5% to S\$2.6 million in 3Q19 from S\$4.1 million in 3Q18. Net profit margin in 3Q19 narrowed to 18.2% as compared to 25.6% in 3Q18 and 20.6% in 2Q19.

The effective tax rate for 3Q19 was 23.4% as compared to 21.4% for 3Q18. Tax expense for the quarter included a provision of S\$122k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

For 9M19, the Group's net profit decreased 22.3% to S\$10.2 million from S\$13.2 million in 9M18. Net profit margin attained was lower at 22.1% in 9M19 as compared to 26.7% in 9M18. Correspondingly, the Group's earnings per share reduced to 7.37 cents in 9M19 from 9.48 cents in 9M18.

**Balance Sheet**

The Group remains in a sound financial position. As at 31 March 2019, we had a balance sheet with total assets of S\$67.3 million, shareholders' equity of S\$56.1 million, cash and cash equivalents of S\$19.0 million and no bank borrowings.

**Long Term Assets**

As at 31 March 2019, the Group's non-current assets decreased to S\$33.6 million as compared to S\$35.7 million as at 30 June 2018 mainly due to depreciation charged during the period.

**Trade Receivables**

Trade Receivables		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
	FY2019	S\$11,960,650	S\$10,134,701	S\$9,420,244	NA
	≥ 90 days Write-off	0.02%	0.02%	0.18%	NA
FY2018	S\$13,623,255	S\$10,967,376	S\$11,707,701	S\$10,874,870	
≥ 90 days Write-off	2.2%	0.0%	0.5%	0.0%	
		-	-	-	-

Total trade receivables as at 31 March 2019 decreased to S\$9.4 million as compared to S\$10.9 million as at 30 June 2018, in tandem with the lower sales contribution in 3Q19. Of this, 0.2% was outstanding for 90 days or more (0% as at 30 Jun 2018). The Group also did not incur any bad debt expenses in 9M19 and 9M18.

#### ***Trade & Other Payables***

As at 31 March 2019, our trade payables totaled S\$0.8 million, of which S\$4k was outstanding for 30 days or more. Non-trade payables totaled S\$1.6 million. Other accrued expenses stood at S\$3.4 million.

#### ***Long term liabilities***

As at 31 March 2019, the Group's deferred tax liabilities totaled S\$1.8 million as compared to S\$1.5 million as at 30 June 2018.

With the adoption of the new accounting standard FRS116 Leases at the beginning of the current financial period, the Group recorded lease liabilities of S\$2.2 million as compared to S\$1.3 million as at 30 June 2018 due to the recognition of factory leases.

#### ***Inventory***

As a percentage of annualised sales, our inventory of S\$4.4 million as at 31 March 2019 (S\$4.6 million as at 30 June 2018) was 7.1% (7.0% as at 30 June 2018). Inventory written off during 9M19 totaled S\$72k, as compared to S\$84k in the corresponding nine months of FY2018.

#### ***Capital Expenditure***

		1Q	2Q	3Q	4Q	Full Year
<b>Capital Expenditure</b>	<b>FY2019</b>	<b>S\$699,820</b>	<b>S\$787,034</b>	<b>S\$899,084</b>	<b>NA</b>	<b>NA</b>
	<b>% of sales</b>					
	<b>FY2018</b>	<b>S\$2,154,551</b>	<b>S\$3,832,377</b>	<b>S\$3,362,060</b>	<b>S\$2,771,725</b>	<b>S\$12,120,713</b>
	<b>% of sales</b>					<b>18.6%</b>

The Group made capital investments of S\$0.9 million in 3Q19 which was used mainly for the purchase of new machines to increase both the manufacturing capacities and capabilities of our factories in Singapore and China. This has brought our capital spending during 9M19 to S\$2.4 million. For the whole of FY2019, we expect to incur capital expenditure of about S\$4 million.

#### ***Cash Flow Analysis***

The Group generated net cash from operations of S\$5.4 million in 3Q19 (S\$5.2 million in 3Q18). Net cash used for investing activities amounted to S\$0.8 million which was mainly related to capital expenditure. After distributing an interim dividend of S\$5.6 million during the current quarter, we closed the period with cash and cash equivalents of S\$19.0 million, including S\$166k 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**

Reflecting the cyclical slowdown in the global semiconductor industry, the Group's revenue declined 10.7% to S\$14.4 million in 3Q19 from S\$16.1 million in the same period a year ago. For 9M19, Group revenue declined 6.1% to S\$46.4 million from S\$49.4 million during the same nine-month period in FY2018. The Group's profit

before tax fell 34.8% to S\$3.4 million in 3Q19 (S\$5.2 million in 3Q18) and declined 19.9% to S\$13.5 million in 9M19 (S\$16.9 in 9M18).

Historically, the semiconductor industry has followed a cyclical pattern of growth. After three consecutive years of record growth, the industry has now moved into the contractionary phase of its cycle. Indeed, the WSTS expects the global semiconductor market to shrink 3.0% to US\$445.5 billion in 2019 from US\$469 billion in 2018.

While growing the Group's top line and the value we create for our customers remains a key priority, we also recognise that such fluctuations are normal and inevitable in our industry. Hence, our practice is to continue working tirelessly towards long-term goals such as increasing automation and repeatable processes in our manufacturing operations, as well as building stronger customer engagement.

Many of the Group's key manufacturing costs are fixed, such as depreciation and rents. In addition, we want to ensure we have a great team that is ready when the industry's growth resumes. But coupled with the impact of slowing conditions in the semiconductor industry, these factors have caused our GP margin in 3Q19 to suffer somewhat as it declined to 49.3% from 55.8% in the same quarter a year ago. Nonetheless, we think that the steady approach we are taking to manage our capital and human resources during such slower periods is the right one in the long-term.

At the same time, our team did a very good job to control overhead expenses during 3Q19. As a result, our total distribution, administrative and other expenses, including other income, held steady at S\$3.7 million. On a qoq basis, these expenses declined marginally from S\$3.8 million in 2Q19 and from S\$4.0 million in 1Q19. When measured as a percentage of sales, our overhead costs in 3Q19 came to 25.6% compared to 23.2% during 3Q18. After deducting taxes of S\$0.8 million (S\$1.1 million in 3Q18), the Group reported a net profit of S\$2.6 million, a decrease of 36.5% from S\$4.1 million in the same quarter a year ago. For 9M19, net profit declined 22.3% to S\$10.2 million from S\$13.2 million in 9M18.

At the end of 3Q19, the Group employed 499 great people compared to 475 at the end of 3Q18. As the Group grows, we plan to continue working to improve efficiency and productivity by automating our operations, streamlining our processes and using technology to leverage the know-how and skills of our people.

With no bank borrowings to service and a careful watch over inventory and receivables, net cash generated from operating activities in 3Q19 increased to S\$5.4 million from S\$5.2 million for 3Q18. After net investing activities of S\$0.8 million (S\$3.1 million for 3Q18) which was used primarily for new equipment and a dividend payment of S\$5.6 million, the Group ended the quarter in a strong financial position with S\$19.0 million in cash (including S\$0.2 million held as security deposits) and no bank borrowings.

### **Market, Industry and Competitive Conditions**

Based on the available statistics compiled by SIA, worldwide semiconductor sales during the first two months of 2019 fell 12.3% from the same period in 2018. As we move into 2019, the industry has slowed considerably and in its latest forecast on 20 February 2019, WSTS said it expects the global semiconductor market in 2019 to shrink by 3%, revising an earlier forecast that called for modest annual growth of 2.6%.

The slowdown in the semiconductor industry is magnified in the supporting market for Wafer Fabrication Equipment ("WFE"). In its latest forecast published on 12 March 2019, Semiconductor Equipment and Materials International ("SEMI") said WFE purchases will fall 14% in 2019 after declining 13% during the second half of 2018. SEMI said plunging prices for memory chips and uncertainty due to trade tensions have caused chip makers to scale back capital expenditures.

Because cyclical conditions are typical for the semiconductor industry, particularly for wafer fabrication equipment, we prefer to focus on the industry's long-term trends and try not to get side-tracked by short-term variations. We continue to 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 on new equipment to expand the productivity of our worldwide operations. 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. During FY2019, we have scaled back our capital expenditures to S\$2.4 million during 9M19. For all of FY2019, we

expect a lower capital expenditure of about S\$4 million which will be focused primarily on increasing automation and upgrading our existing machines to further raise the productivity of our operations.

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, cleanliness and reliability. We expect these requirements to intensify as the semiconductor industry adopts processing methods for 10 nanometer and below device geometries. Our engineers in Asia and the USA are working on a number of key initiatives that involve lengthy, difficult and costly development work. Although this pattern of more stringent and difficult requirements is challenging, we believe these conditions 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 synchronizes with our vision, mission, goals, strategies and core values. We intend 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, 24/7 Machining*, and *The Fundamentals of Value-Driven Decision Making*. During 2H19, we launched a new training program we call *8S*. Based on eight words beginning with the letter “s” such as *safety, standardization, synchronization and sustainability*, our goal is to provide our people with a shared methodology for making the kinds of decisions that drive continuous improvement, reduce waste, enhance workplace safety and promote environmental and corporate sustainability.

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.

### **Appreciation and Stakeholder Value**

Since our listing we have maintained a consistent practice of rewarding shareholders for their continuous support of Micro-Mechanics. Based on the Group’s steady performance during 1H19, the Board of Directors approved an interim dividend of 4 cents per ordinary share (one-tier tax exempt) which was paid on 18 February 2019 to the shareholders on record as at 7 February 2019.

Including this interim dividend for 1H19, we have distributed a total of 67.9 cents per share to our shareholders since 2003. Based on dividends alone, this translates into a return of 367% for our shareholders who bought Micro-Mechanics shares at our Initial Public Offer.

Once again, we would like to express our appreciation to all our people at Micro-Mechanics for their vision, teamwork and tireless commitment, especially during the last quarter when industry conditions were challenging. 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?

Nil

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Nil

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared/recommendeded, 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.

On 22 October 2018, the Group announced that its wholly-owned subsidiary Micro-Mechanics Inc (MMUS) has entered into an agreement relating to the payment of electrical services provided to the factory with Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

For the financial period ended 31 March 2019, the Group has made rental payment of US\$279,000 (31 March 2018: US\$270,000) and electrical services payment of US\$46,051 (31 March 2018: Nil) to Sarcadia LLC.

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

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

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results of the Group and of the Company for the financial period ended 31 March 2019 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.

**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**  
27 April 2019