

**MICRO-MECHANICS (HOLDINGS) LTD**

**Unaudited Second Quarter Financial Statements and Dividend Announcement for the period ended 31/12/2013**

**PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF SECOND 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					
		Q2			Half year		
		Oct to Dec 2013 S\$	Oct to Dec 2012 S\$	Change	Jul to Dec 2013 S\$	Jul to Dec 2012 S\$	Change
Revenue	(1)	10,481,430	9,283,311	12.9%	21,563,470	19,177,820	12.4%
Cost of sales	(2)	(5,203,433)	(4,774,679)	9.0%	(10,598,982)	(9,821,676)	7.9%
<b>Gross profit</b>		<b>5,277,997</b>	<b>4,508,632</b>	17.1%	<b>10,964,488</b>	<b>9,356,144</b>	17.2%
Other income	(3)	142,909	90,194	58.4%	548,428	222,615	146.4%
Distribution costs		(781,555)	(740,734)	5.5%	(1,593,085)	(1,503,378)	6.0%
Administrative expenses		(1,932,602)	(1,813,262)	6.6%	(3,842,806)	(3,735,335)	2.9%
Other operating expenses		(682,948)	(652,318)	4.7%	(1,358,920)	(1,319,825)	3.0%
<b>Profit from operations</b>		<b>2,023,801</b>	<b>1,392,512</b>	45.3%	<b>4,718,105</b>	<b>3,020,221</b>	56.2%
Finance costs		-	-	-	-	-	-
<b>Profit before taxation</b>	(4)	<b>2,023,801</b>	<b>1,392,512</b>	45.3%	<b>4,718,105</b>	<b>3,020,221</b>	56.2%
Taxation	(5)	(662,234)	(409,466)	61.7%	(1,196,527)	(862,384)	38.7%
<b>Profit after tax</b>		<b>1,361,567</b>	<b>983,046</b>	38.5%	<b>3,521,578</b>	<b>2,157,837</b>	63.2%
<b>Minority interests</b>		-	-	-	-	-	-
<b>Net profit for the period</b>		<b>1,361,567</b>	<b>983,046</b>	38.5%	<b>3,521,578</b>	<b>2,157,837</b>	63.2%
<b>Statement of Comprehensive Income</b>							
Profit for the period		<b>1,361,567</b>	<b>983,046</b>	38.5%	<b>3,521,578</b>	<b>2,157,837</b>	63.2%
Other comprehensive income:							
Foreign currency translation differences		56,659	54,913	3.2%	(395,840)	(133,477)	196.6%
<b>Total comprehensive income for the period</b>		<b>1,418,226</b>	<b>1,037,959</b>	36.6%	<b>3,125,738</b>	<b>2,024,360</b>	54.4%

NM: Not meaningful

Notes:

- (1) Please refer to section 8 of this announcement for an analysis of the Group's revenue.
- (2) Cost of sales increased in line with sales.

(3) Other income consists of:

	Q2			Half year		
	Oct to Dec 2013 S\$	Oct to Dec 2012 S\$	Change	Jul to Dec 2013 S\$	Jul to Dec 2012 S\$	Change
Gain on disposal of property, plant and equipment	386	38,539	(99.0%)	1,916	110,417	(98.3%)
Gain on disposal of assets held for disposal	-	-	-	279,606	-	n.m.
Interest income from banks and others	29,767	20,114	48.0%	64,933	39,293	65.3%
Rental income	32,676	-	n.m.	54,402	-	n.m.
Government grant – Skill Redevelopment and Capability Development Scheme	4,088	4,088	-	8,176	8,176	-
Exchange gain	20,848	-	n.m.	47,877	-	n.m.
Others	55,144	27,453	100.9%	91,518	64,729	41.4%

(4) Profit before taxation includes the following expenses:

	Q2			Half year		
	Oct to Dec 2013 S\$	Oct to Dec 2012 S\$	Change	Jul to Dec 2013 S\$	Jul to Dec 2012 S\$	Change
Trade receivables written off	-	-	-	7,790	-	n.m.
Depreciation of property, plant and equipment	1,059,739	1,068,665	(0.8%)	2,117,532	2,141,983	(1.1%)
Exchange loss	-	19,019	(100.0%)	-	47,664	(100.0%)
Inventories written off	39,162	15,549	151.9%	60,008	34,560	73.6%

(5) The effective tax rate for 2Q14 was 32.7%, compared to 29.4% for 2Q13. This was due mainly to higher withholding tax of S\$263k that was paid on dividend remitted to the Holding company by the Group subsidiaries (S\$33k in 2Q13). The corporate tax was S\$364k in 2Q14 (S\$375k in 2Q13).

**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 Dec 13 S\$	Group 30 Jun 13 S\$	Company 31 Dec 13 S\$	Company 30 Jun 13 S\$
<b>Non-current assets</b>					
Property, plant and equipment		24,078,575	25,043,852	-	-
Investment in subsidiaries		-	-	17,257,474	17,257,474
Trade and other receivables		-	-	4,394,138	4,389,273
		24,078,575	25,043,852	21,651,612	21,646,747
<b>Current assets</b>					
Inventories		2,522,847	2,178,499	-	-
Trade and other receivables		8,903,472	8,516,330	2,971,618	3,414,412
Cash and cash equivalents		10,040,915	9,152,175	2,647,252	1,361,054
Assets held for disposal		-	84,586	-	-
		21,467,234	19,931,590	5,618,870	4,775,466
<b>Total assets</b>		45,545,809	44,975,442	27,270,482	26,422,213
<b>Shareholders' equity</b>					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(1)	(2,671,834)	(2,275,994)	-	-
Accumulated profits		26,174,546	25,433,606	12,302,082	11,329,818
		38,285,643	37,940,543	27,085,013	26,112,749
<b>Non-current liabilities</b>					
Deferred tax liabilities		1,328,188	1,339,538	-	-
		1,328,188	1,339,538	-	-
<b>Current liabilities</b>					
Trade and other payables		4,686,837	4,343,345	176,233	304,666
Provision for taxation		1,245,141	1,352,016	9,236	4,798
		5,931,978	5,695,361	185,469	309,464
Total liabilities		7,260,166	7,034,899	185,469	309,464
<b>Total equity and liabilities</b>		45,545,809	44,975,442	27,270,482	26,422,213

Notes:

- (1) The movement in foreign currency translation reserves was mainly due to the appreciation of Malaysia ringgit against the Singapore Dollar.

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

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

As at 31 Dec 13		As at 31 Dec 12	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

**Amount repayable after one year**

As at 31 Dec 13		As at 31 Dec 12	
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			
		Q2		Half year	
		Oct to Dec 2013 S\$	Oct to Dec 2012 S\$	Jul to Dec 2013 S\$	Jul to Dec 2012 S\$
<b>Operating activities</b>					
Profit before taxation		2,023,801	1,392,512	4,718,105	3,020,221
Adjustments for:					
Depreciation of property, plant and equipment		1,059,739	1,068,665	2,117,532	2,141,983
Gain on disposal of property, plant and equipment		(386)	(38,539)	(1,916)	(110,417)
Gain on disposal of assets held for disposal		-	-	(279,606)	-
Interest income		(29,767)	(20,114)	(64,933)	(39,293)
<b>Operating profit before changes in working capital</b>		3,053,387	2,402,524	6,489,182	5,012,494
Inventories		(300,279)	117,914	(344,348)	192,122
Trade and other receivables		238,436	525,213	(388,862)	733,062
Trade and other payables		283,013	210,041	80,936	(204,757)
Cash generated from operations		3,274,557	3,255,692	5,836,908	5,732,921
Income tax paid		(650,552)	(465,315)	(1,028,974)	(744,712)
<b>Net cash from operating activities</b>		2,624,005	2,790,377	4,807,934	4,988,209
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(1,084,232)	(1,183,232)	(1,388,381)	(1,649,608)
Proceeds from disposal of property, plant and equipment		19,143	195,043	33,318	348,433
Proceeds from disposal of assets held for disposal		-	-	365,299	-
Interest received		31,759	20,771	67,666	43,807
<b>Net cash used in investing activities</b>		(1,033,330)	(967,418)	(922,098)	(1,257,368)
<b>Cash flow from financing activities</b>					
Dividends paid	(1)	(2,780,638)	(2,780,637)	(2,780,638)	(2,780,637)
Deposits pledged		(211)	116	6,785	(13)
<b>Net cash used in financing activities</b>		(2,780,849)	(2,780,521)	(2,773,853)	(2,780,650)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(1,190,174)	(957,562)	1,111,983	950,191
Cash and cash equivalents at beginning of the period		11,029,711	7,820,810	8,943,935	5,760,854
Effect of exchange rate fluctuations		(77)	42,210	(216,458)	194,413
<b>Cash and cash equivalents at end of the period</b>	(2)	9,839,460	6,905,458	9,839,460	6,905,458

Notes:

- (1) The Company paid final dividend of 2 cents per ordinary share (one-tier tax exempt) on 19 November 2013 in respect of FY2013.

(2) Cash and cash equivalent is derived from:

	<b>Group 31 Dec 13 S\$</b>	<b>Group 31 Dec 12 S\$</b>
Cash and cash equivalent balances	10,040,915	7,114,044
Less: Pledged cash placed with bank	(201,455)	(208,586)
	<b>9,839,460</b>	<b>6,905,458</b>

**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 Profits  S\$</b>	<b>Total  S\$</b>
<b>The Group</b>				
As at 1 July 2012	14,782,931	(2,279,680)	24,479,816	36,983,067
<b>Total comprehensive income for the period</b>				
Net profit for the period	-	-	2,157,837	2,157,837
<b>Other comprehensive income</b>				
Foreign currency translation differences, net of tax	-	(133,477)	-	(133,477)
Total comprehensive income for the period	-	(133,477)	2,157,837	2,024,360
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2012	-	-	(2,780,637)	(2,780,637)
Total transactions with owners, recorded directly in equity	-	-	(2,780,637)	(2,780,637)
<b>As at 31 December 2012</b>	<b>14,782,931</b>	<b>(2,413,157)</b>	<b>23,857,016</b>	<b>36,226,790</b>
As at 1 July 2013	14,782,931	(2,275,994)	25,433,606	37,940,543
<b>Total comprehensive income for the period</b>				
Net profit for the period	-	-	3,521,578	3,521,578
<b>Other comprehensive income</b>				
Foreign currency translation differences, net of tax	-	(395,840)	-	(395,840)
Total comprehensive income for the period	-	(395,840)	3,521,578	3,125,738
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2013	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(2,780,638)	(2,780,638)
<b>As at 31 December 2013</b>	<b>14,782,931</b>	<b>(2,671,834)</b>	<b>26,174,546</b>	<b>38,285,643</b>

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
<b>The Company</b>				
As at 1 July 2012	14,782,931	-	9,557,878	24,340,809
<b>Total comprehensive income for the period</b>				
Net profit for the period	-	-	2,278,800	2,278,800
Total comprehensive income for the period	-	-	2,278,800	2,278,800
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2012	-	-	(2,780,637)	(2,780,637)
Total transactions with owners, recorded directly in equity	-	-	(2,780,637)	(2,780,637)
<b>As at 31 December 2012</b>	<b>14,782,931</b>	<b>-</b>	<b>9,056,041</b>	<b>23,838,972</b>
As at 1 July 2013	14,782,931	-	11,329,818	26,112,749
<b>Total comprehensive income for the period</b>				
Net profit for the period	-	-	3,752,902	3,752,902
Total comprehensive income for the period	-	-	3,752,902	3,752,902
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2013	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(2,780,638)	(2,780,638)
<b>As at 31 December 2013</b>	<b>14,782,931</b>	<b>-</b>	<b>12,302,082</b>	<b>27,085,013</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.**

There was no change in share capital for the financial period ended 31 December 2013.

**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 31 December 2013 and 139,031,881 ordinary shares as at 31 December 2012. The Company does not have any treasury shares as at the end of the current financial period and as at the end of the immediately preceding period.

**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			
	Q2		Half year	
	Oct to Dec 2013	Oct to Dec 2012	Jul to Dec 2013	Jul to Dec 2012
Earnings per ordinary share for the period based on net profit after tax and minority interest:-				
(i) Based on weighted average number of ordinary shares in issue	0.98 cents	0.71 cents	2.53 cents	1.55 cents
(ii) On a fully diluted basis	0.98 cents	0.71 cents	2.53 cents	1.55 cents

The calculation is based on the weighted average number of shares in issue during the period. The weighted average number of shares outstanding during the year was 139,031,881 (31 December 2012: 139,031,881).

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group 31 Dec 13	Group 30 Jun 13	Company 31 Dec 13	Company 30 Jun 13
Net Asset Value per ordinary share (cents)	27.54	27.29	19.48	18.78

The net asset value per ordinary share is calculated based on net assets of S\$38.3 million (30 June 2013: S\$37.9 million) and 139,031,881 (30 June 2013: 139,031,881) shares in issue at the end of the current financial period 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*

Based on data from the Semiconductor Industry Association (SIA), worldwide sales of semiconductors in October and November 2013 totalled US\$54.3 billion, an increase of 7% year-on-year (yoy) compared to the same period in 2012. The global industry notched its ninth consecutive month of sales growth in November, driven largely by the Americas.



The SIA said the global semiconductor industry showed increasing strength during 2013, buoyed by sustained growth in the Americas and Asia Pacific as well as the recent rebound in Europe and Japan. With solid momentum across all regions and most product categories, the SIA believes the industry is well-positioned for a strong start to the new year.

Industry watchers are optimistic the semiconductor industry will continue to show steady growth in 2014. In its Autumn 2013 global semiconductor sales forecast released in December, the World Semiconductor Trade Statistics (WSTS) organization projected that worldwide chip sales would have reached US\$304.3 billion in 2013. For 2014, WSTS predicts global chip sales to increase 4.1% US\$316.6 billion with steady growth across all regions.

#### *Group Revenue*

Group Revenue		1Q	2Q	3Q	4Q	Full Year
	FY2014	S\$11,082,040	S\$10,481,430	NA	NA	NA
FY2013	S\$9,894,509	S\$9,283,311	S\$9,212,963	S\$10,762,618	S\$39,153,401	
% growth	12.0%	12.9%	NA	NA	NA	

For the three months ended 31 December 2013 (2Q14), Group revenue increased 12.9% to S\$10.5 million, from S\$9.3 million in 2Q13, attributable to higher sales of both our semiconductor tooling and Custom Machining & Assembly (CMA) divisions. On a sequential basis, Group revenue in 2Q14 eased 5.4% from S\$11.1 million in 1Q14, reflecting the seasonally slower conditions of the technology sector at the end of the calendar year.

Together with the Group's stronger performance in 1Q14, revenue for the six months ended 31 December 2013 (1H14) increased 12.4% to S\$21.6 million, compared to S\$19.2 million in 1H13.

#### *Revenue breakdown by Product Segment*

Semiconductor Tooling Revenue		1Q	2Q	3Q	4Q	Full Year
	FY2014	S\$9,433,908	S\$8,672,648	NA	NA	NA
FY2013	S\$8,622,533	S\$8,082,558	S\$7,746,559	S\$9,331,307	S\$33,782,957	
% growth	9.4%	7.3%	NA	NA	NA	

CMA Revenue		1Q	2Q	3Q	4Q	Full Year
	FY2014	S\$1,648,132	S\$1,808,782	NA	NA	NA
FY2013	S\$1,271,976	S\$1,200,753	S\$1,466,404	S\$1,431,311	S\$5,370,444	
% growth	29.6%	50.6%	NA	NA	NA	

Revenue from the Group's semiconductor tooling segment, which serves customers involved in the assembly and testing of semiconductors, increased 7.3% to S\$8.7 million in 2Q14, from S\$8.1 million in 2Q13. This was driven mainly by higher sales in Malaysia, China, the Philippines and the USA. On a quarter-on-quarter (qoq) basis, sales of our semiconductor tooling segment in 2Q14 eased 8.1% from S\$9.4 million in 1Q14.

Our CMA division, which serves high technology capital equipment manufacturers in the aerospace, medical, laser and wafer fabrication industries, registered revenue growth of 50.6% to S\$1.8 million in 2Q14 from S\$1.2 million in 2Q13. This was also an increase of 9.8% from S\$1.6 million in 1Q14.

Our semiconductor tooling and CMA segments contributed 84% and 16% respectively to Group revenue in 1H14.

### Revenue breakdown by Geographical Market

Country	Group										
	1Q14	2Q14		2Q13		% change	1H14		1H13		% change
		S\$ m	%	S\$ m	%		S\$ m	%	S\$ m	%	
Singapore	0.9	0.8	8%	0.6	6%	39.0%	1.7	8%	1.1	6%	52.1%
Malaysia	2.4	2.3	22%	2.1	23%	10.3%	4.7	22%	4.3	22%	9.4%
Philippines	1.0	1.0	10%	0.8	9%	16.3%	2.0	9%	1.7	9%	17.1%
Thailand	0.6	0.5	5%	0.5	5%	6.4%	1.1	5%	1.0	5%	5.6%
China	2.6	2.3	21%	2.0	22%	12.0%	4.9	23%	4.2	22%	18.0%
USA	1.5	1.6	15%	1.2	13%	32.8%	3.1	14%	2.6	14%	20.0%
Europe	0.6	0.5	5%	0.6	6%	(9.4%)	1.1	5%	1.1	6%	6.4%
Japan	0.2	0.3	2%	0.3	3%	(17.9%)	0.5	2%	0.6	3%	(26.1%)
Taiwan	0.9	0.9	9%	0.8	9%	14.6%	1.8	9%	1.8	9%	1.8%
Rest of World	0.4	0.3	3%	0.4	4%	(18.6%)	0.7	3%	0.8	4%	(18.9%)
<b>Total</b>	<b>11.1</b>	<b>10.5</b>	<b>100%</b>	<b>9.3</b>	<b>100%</b>	<b>12.9%</b>	<b>21.6</b>	<b>100%</b>	<b>19.2</b>	<b>100%</b>	<b>12.4%</b>

Malaysia and China continued to be our largest markets for semiconductor tools in 2Q14 with a combined contribution of 43% of Group revenue. Sales to customers in China increased 12.0% to S\$2.3 million while sales in Malaysia improved 10.3% to S\$2.3 million. Revenue derived from other markets for our semiconductor tooling business was generally higher during 2Q14 with the exception of Japan and Europe.

Sales to customers in the USA, which is mainly a market for our CMA business, increased 32.8% to S\$1.6 million in 2Q14, from S\$1.2 million in 2Q13. Revenue from Singapore in 2Q14 increased 39.0% to S\$0.8 million from S\$0.6 million in 2Q13, lifted by incremental CMA sales contribution of S\$217k.

### Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2014	53%	56%	NA	NA	NA
	FY2013	46%	44%	45%	52%	47%

The average capacity utilisation rate of our 6 factories increased to 56% in 2Q14, from 44% in 2Q13, in tandem with higher Group sales and partly due to the disposal of legacy machines at the USA factory as production there continues to shift to the new *24/7 Machining Line*.

### Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2014	51.3%	50.4%	NA	NA	NA
	FY2013	49.0%	48.6%	47.7%	50.7%	49.1%

Gross Profit Margin (By Product Segment)			1Q	2Q	3Q	4Q	Full Year	
	FY2014	Semiconductor		56.9%	55.4%	NA	NA	NA
		CMA		19.3%	26.3%	NA	NA	NA
FY2013	Semiconductor		56.6%	55.5%	53.9%	56.9%	55.8%	
	CMA		(2.4%)	1.7%	14.8%	9.3%	6.3%	

The Group's gross profit (GP) in 2Q14 increased 17.1% to S\$5.3 million, from S\$4.5 million in 2Q13.

The CMA division showed an encouraging improvement in its GP margin to 26.3% compared to 1.7% in 2Q13 and 19.3% in 1Q14, due to higher CMA sales and improving operational efficiency of our factory in USA.

With GP margin of our semiconductor tooling business stable at 55.4%, the Group's overall GP margin expanded to 50.4% in 2Q14 from 48.6% in 2Q13.

*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
	FY2014 % of sales	S\$2,992,187 27.0%	S\$3,254,196 31.0%	NA	NA	NA
	FY2013 % of sales	S\$3,219,803 32.5%	S\$3,116,120 33.6%	S\$2,691,306 29.2%	S\$3,275,414 30.4%	S\$12,302,643 31.4%

Other income in 2Q14 increased to S\$143k from S\$90k in 2Q13, due mainly to higher rental income of S\$33k and an increase in scrap sales of S\$26k.

We continue to keep a close watch on our expense structure. Distribution expenses in 2Q14 increased to S\$782k from S\$741k in 2Q13 due to annual salary increments and higher travelling expenses. Administrative expenses increased marginally to S\$1.9 million from S\$1.8 million in the year-ago period, due to annual salary increments and professional fees for internal auditing. Other operating expenses of S\$683k was stable against the corresponding quarter a year ago.

In aggregate, our administrative, distribution and other operating expenses (inclusive of other income) increased marginally to S\$3.25 million in 2Q14, from S\$3.12 million in 2Q13. As a percentage of Group sales however, these overhead expenses decreased to 31.0% from 33.6% previously.

*Profit before Tax and Net Profit*

Net Profit After Tax		1Q	2Q	3Q	4Q	Full Year
	FY2014	S\$2,160,011	S\$1,361,567	NA	NA	NA
	FY2013	S\$1,174,791	S\$983,046	S\$1,431,152	S\$1,535,757	S\$5,124,746
% growth	83.9%	38.5%				

As a result of higher sales and GP margin, the Group reported profit before tax of S\$2.0 million in 2Q14, an increase of 45.3% from S\$1.4 million in 2Q13.

After deducting taxation of S\$662k (S\$409k in 2Q13), the Group recorded an increase of 38.5% in net profit to S\$1.4 million in 2Q14, from S\$1.0 million in 2Q13.

The effective tax rate in 2Q14 was 32.7%, compared to 29.4% in 2Q13. This was due to increases in dividend withholding tax to S\$263k (S\$33k in 2Q13) and corporate tax to S\$361k (S\$375k in 2Q13). As Group net profit grew at a faster pace than sales, net profit margin improved to 13.0% in 2Q14 compared to 10.5% in 2Q13.

For 1H14, Group profit before tax increased 56.2% to S\$4.7 million from S\$3.0 million in 1H13. After deducting taxes of S\$1.2 million (S\$862k in 1H13), the Group's net profit in 1H14 increased 63.2% to S\$3.5 million from S\$2.2 million in 1H13. Net profit margin in 1H14 expanded to 16.3% from 11.2% in 1H13.

Correspondingly, the Group's earnings per share in 1H14 improved to 2.53 cents from 1.55 cents in 1H13.

*Dividend*

The Board of Directors has declared the payment of an interim dividend of 1 cent per share (one-tier tax exempt) amounting to S\$1.4 million, to be paid on 18 February 2014 to shareholders on record as at 5 February 2014.

*Balance Sheet*

As at 31 December 2013, the Group remained in a sound financial position with a balance sheet that had total assets of S\$45.5 million, shareholders' equity of S\$38.3 million, cash and cash equivalents of S\$10.0 million and no bank borrowings.

### Accounts Receivable

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Accounts Receivable	<b>FY2014</b>	<b>S\$7,497,467</b>	<b>S\$7,093,099</b>	<b>NA</b>	<b>NA</b>
	<b>≥ 90 days</b>	<b>0.2%</b>	<b>0.0%</b>	<b>NA</b>	<b>NA</b>
	<b>Write-off</b>	<b>0.1%</b>	<b>0.1%</b>	<b>NA</b>	<b>NA</b>
	<b>FY2013</b>	<b>S\$6,394,613</b>	<b>S\$5,883,263</b>	<b>S\$5,951,054</b>	<b>S\$7,704,446</b>
	<b>≥ 90 days</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.2%</b>
	<b>Write-off</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

Total trade receivables increased to S\$7.1 million as at 31 December 2013 (S\$5.9 million at end of 1H13) with no outstanding amounts for 90 days or more (0.5% at end of 1H13). Bad debts written off during 1H14 amounted to S\$7.8k or 0.1% of trade receivables (Nil during 1H13).

At the end of 1H14, our trade payables totaled S\$1.2m, of which S\$434k was outstanding for 30 days or more. Non-trade payables amounted to S\$466k, of which S\$22k was outstanding for more than 30 days.

### Inventory

As a percentage of annualised sales, our inventory of S\$2.5 million at end-December 2013 remained steady at 5.8% (5.3% at end-1H13). Inventory written off in 2Q14 totaled S\$39k, compared to S\$16k in 2Q13.

### Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	<b>FY2014</b>	<b>S\$304,149</b>	<b>S\$1,084,232</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
	<b>% of sales</b>					
	<b>FY2013</b>	<b>S\$466,376</b>	<b>S\$1,183,232</b>	<b>S\$729,969</b>	<b>S\$257,922</b>	<b>S\$2,637,499</b>
	<b>% of sales</b>					<b>6.7%</b>

During 2Q14, we made capital investments of S\$1.1 million, mainly for purchases of equipment, machine accessories and renovation for our factories in Singapore, the USA and Philippines. This brought our capital expenditure in 1H14 to S\$1.4 million. For FY2014, we expect capital expenditure to total approximately S\$4.0 million for investments in machines and equipment to enhance automation and productivity of our factories.

### Cash Flow Analysis

The Group generated net cash from operations of S\$2.6 million in 2Q14 (S\$2.8 million in 2Q13). Net cash used for investing activities amounted to S\$1.0 million (S\$1.0 million in 2Q13), due mainly to capital expenditure. The Group used net cash of S\$2.8 million for financing activities during 2Q14, due to payment of a final dividend of 2 cents per share in respect of FY2013. We closed the period with cash of S\$10.0 million, including S\$201k 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 period. There is no material variance from our previous financial year commentary under Section 10.

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

### Financial Performance

Since FY2011, the Group has invested approximately S\$16 million on new equipment and machinery to improve the capabilities and capacity of both our semiconductor tooling and CMA businesses. Coupled with our continuous efforts and initiatives to enhance operational efficiency, such as *24/7 Machining*, these investments yielded encouraging results during the first half of FY2014. Following on the Group's strong performance in

1Q14, we continued to see promising results during 2Q14 with Group revenue increasing 12.9% to S\$10.5 million from S\$9.3 million in the same quarter a year ago.

Our semiconductor tooling division performed well in 2Q14 during the seasonally slower year-end period. The division's sales increased 7.3% to S\$8.7 million while its GP margin remained steady at 55.4% (55.5% in 2Q13) despite pricing pressures typical of the semiconductor industry.

As we continue to develop *24/7 Machining*, our CMA division is also showing improvement. In 2Q14, CMA sales increased 50.6% to S\$1.81 million from S\$1.20 million in 2Q13, and 9.7% from S\$1.6 million in 1Q14. The higher sales together with improving operational efficiency resulted in GP margin of our CMA division expanding to 26.3% from 1.7% in 2Q13. Overall, the Group's GP margin rose to 50.4% during 2Q14 from 48.6% in the same period a year ago.

In addition to working to improve the Group's GP margin, we are keeping a tight rein on spending. In 2Q14, total overhead expenses (distribution, administrative and other expenses including other income) increased just 4.4% to S\$3.25 million from S\$3.12 million in 2Q13. As a result, the Group's net profit increased 38.5% to S\$1.36 million in 2Q14 from S\$983k in the same period a year ago.

With no bank borrowings to service and our stringent control over inventory and receivables, net cash generated from operating activities in 2Q14 totaled S\$2.6 million. After capital spending of S\$1.1 and dividends paid of S\$2.8 million, we ended the period in a strong financial position with S\$10.0 million in cash (including S\$201k held as security deposits), no bank borrowings and low trade payables of only S\$1.2 million (of which S\$434k was outstanding for 30 days or more).

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

Looking ahead, industry watchers are optimistic that the semiconductor industry will continue to show steady growth in 2014 with the WSTS now predicting global semiconductor sales to increase 4.1% to US\$316.6 billion. Nonetheless, business visibility continues to be clouded by numerous global uncertainties including the political gridlock in Washington, persistent debt concerns in Europe, slower-than-expected growth in China, and continuing unrest in various parts of the world. As a result, we believe markets will continue to be unpredictable, volatile and cost-competitive which make short-term forecasting and business planning difficult.

Against this backdrop of uncertainty, the Group continues to face cost challenges. As the semiconductor industry becomes increasingly driven by the demand for consumer electronics, we continue to experience increased price and delivery pressures from our customers. Together with inflationary pressures and competition for the limited supply of skilled workers, the operating environment for the Group is expected to remain challenging.

### **Key Operating Strategies**

Despite the difficult operating environment, we understand what is required for the Group to grow 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 critical part for a leading maker of aerospace, laser or medical equipment, our mission is to deliver "*Perfect Parts and Tools, On Time, Every Time*" based on repeatable, scalable and cost-effective processes.

It is also clear that less labour intensive operations must be developed for sustainable growth. Hence, we intend to continue deploying our resources towards the development of automated processes that are repeatable, scalable, and cost-effective. At the beginning of FY2012, we employed about 601 people in six factories around the world. By focusing on our core competencies and implementing initiatives, such as *24/7 Machining*, to improve performance and productivity, we have reduced headcount by over 20% to 469 people at the end of 2Q14.

Whether it is dealing with cost pressures, implementing complex engineering initiatives such as *24/7Machining* or developing a better approach to business planning, we recognise the need to foster an environment of continuous learning so as to enhance performance, innovation and improvement. To implement such a learning culture amongst our people, we began a carefully structured in-house training program which we ambitiously call *MMUniversity* at the beginning of FY2013. After introducing learning workshops on *Customer Value*, *24/7 Machining*, *Teamwork* and *Transparency*, we focused during 2Q14 on conducting workshops designed to help our people to develop their potential.

### **Appreciation and Stakeholder Value**

Since our listing in 2003, we have had a consistent practice of rewarding shareholders for their support of Micro-Mechanics. After paying a final dividend for FY2013 of 2 cents per share in November 2013, we intend to distribute an interim dividend for FY2014 of 1 cent per share on 18 February 2014. 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. The Board of Directors has declared an interim dividend of 1.0 cent per ordinary share (one tier tax-exempt) amounting to S\$1.4 million.

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

An interim dividend of 1.0 cent per ordinary share (one tier tax-exempt) was paid on 20 February 2013 in respect of FY2013.

### **(c) Date payable**

The dividend payment will be made on 18 February 2014.

### **(d) Books closure date**

Notice is hereby given that the Register of Members and the Share Transfer Books of the Company will be closed on 5 February 2014 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 4 February 2014 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 4 February 2014 will be entitled to the proposed dividend.

## **12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

## **PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

*(This part is not applicable to Q1, Q2, Q3 or Half Year Results)*

### **13. 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*

### **14. 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

### **15. A breakdown of sales.**

Not applicable

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

Not applicable

**17. Interested Persons Transactions**

There is no interested party transactions for the financial period ending 31 December 2013.

**18. Confirmation Pursuant to Rule 705(5) of Listing Manual**

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results to be false or misleading.

On behalf of the Board of Directors

.....  
Christopher Reid Borch  
Chief Executive Officer

.....  
Chow Kam Wing  
Chief Financial Officer

**BY ORDER OF THE BOARD**

**CHOW KAM WING**  
**Company Secretary**  
25 January 2014