

**MICRO-MECHANICS (HOLDINGS) LTD**

**Unaudited Third Quarter Financial Statements Announcement for the period ended 31/03/2020**

**PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS**

**1(a) An income statement and statement of comprehensive income, or 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 2020 S\$	Jan to Mar 2019 S\$	Change	Jul to Mar 2020 S\$	Jul to Mar 2019 S\$	Change
Revenue	(1)	16,216,029	14,358,199	12.9%	47,835,264	46,400,362	3.1%
Cost of sales	(2)	(7,783,768)	(7,277,206)	7.0%	(22,437,003)	(21,331,690)	5.2%
<b>Gross profit</b>		<b>8,432,261</b>	<b>7,080,993</b>	19.1%	<b>25,398,261</b>	<b>25,068,672</b>	1.3%
Other income	(3)	674,035	176,863	281.1%	971,063	482,573	101.2%
Distribution costs	(4)	(762,386)	(758,684)	0.5%	(2,419,050)	(2,432,662)	(0.6%)
Administrative expenses	(5)	(2,312,326)	(2,252,763)	2.6%	(6,918,563)	(7,081,551)	(2.3%)
Other operating expenses	(6)	(985,393)	(838,064)	17.6%	(2,914,280)	(2,535,432)	14.9%
<b>Profit before tax</b>	(7)	<b>5,046,191</b>	<b>3,408,345</b>	48.1%	<b>14,117,431</b>	<b>13,501,600</b>	4.6%
Tax expense	(8)	(1,177,550)	(796,007)	47.9%	(3,404,410)	(3,258,137)	4.5%
<b>Profit after tax</b>		<b>3,868,641</b>	<b>2,612,338</b>	48.1%	<b>10,713,021</b>	<b>10,243,463</b>	4.6%
<b>Non-controlling interests</b>		-	-	-	-	-	-
<b>Profit for the period</b>		<b>3,868,641</b>	<b>2,612,338</b>	48.1%	<b>10,713,021</b>	<b>10,243,463</b>	4.6%
<b>Statement of Comprehensive Income</b>							
Profit for the period		3,868,641	2,612,338	48.1%	10,713,021	10,243,463	4.6%
Other comprehensive income:							
Foreign currency translation differences for foreign operations, net of tax		1,252,033	131,432	852.6%	1,057,121	(541,113)	(295.4%)
<b>Total comprehensive income for the period</b>		<b>5,120,674</b>	<b>2,743,770</b>	86.6%	<b>11,770,142</b>	<b>9,702,350</b>	21.3%

Notes:

- (1) Please refer to section 8 of this announcement for an analysis of the Group's revenue.
- (2) Cost of Sales during 3Q20 increased in line with the increase in sales. There were also higher overtime expenses of S\$118k, depreciation expenses of S\$83k and equipment repairs of S\$45k compared to 3Q19.

- (3) Other income consists of:

	Q3			Year-to-date (9 months)		
	Jan to Mar 2020 S\$	Jan to Mar 2019 S\$	Change	Jul to Mar 2020 S\$	Jul to Mar 2019 S\$	Change
Gain/(loss) on disposal of property, plant and equipment	1,489	4,298	(65.4%)	(29,388)	(5,254)	459.3%
Interest income from banks and others	51,872	54,673	(5.1%)	186,308	167,574	11.2%
Rental income	31,339	31,274	0.2%	93,489	93,172	0.3%
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	389,100	28,391	1270.5%	423,527	48,177	779.1%
Exchange gain	173,228	12,624	1,272.2%	215,791	79,124	172.7%
Others	27,007	45,603	(40.8%)	81,336	99,780	(18.5%)

- (4) Please refer to section 8 of this announcement for an analysis of the Group's 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 2020 S\$	Jan to Mar 2019 S\$	Change	Jul to Mar 2020 S\$	Jul to Mar 2019 S\$	Change
Depreciation of property, plant and equipment	1,447,964	1,362,772	6.3%	4,249,945	4,079,365	4.2%
Depreciation of right-of-use assets	259,597	260,182	(0.2%)	779,692	809,136	(3.6%)
Inventory written off	21,038	31,913	(34.1%)	79,521	72,276	10.0%
Interest expense on lease liabilities	28,464	28,717	(0.9%)	78,514	85,884	(8.6%)
Property, plant and equipment written off	98	2,480	(96.0%)	125	4,109	(97.0%)

- (8) The effective tax rate for 3Q20 was 23.3% as compared to 23.4% for 3Q19. Included in the tax expense for YTD 3Q20 was a provision of S\$439k made in relation to withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

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

	Note	Group 31 Mar 20 S\$	Group 30 Jun 19 S\$	Company 31 Mar 20 S\$	Company 30 Jun 19 S\$
<b>Non-current assets</b>					
Property, plant and equipment	(1)	29,901,002	30,811,334	-	-
Right-of-use assets		1,971,816	1,815,233	-	-
Subsidiaries		-	-	29,095,544	29,095,544
Trade and other receivables		1,025,198	428,008	-	-
Deferred tax asset		45,603	48,409	-	-
		32,943,619	33,102,984	29,095,544	29,095,544
<b>Current assets</b>					
Inventories		4,887,613	4,514,659	-	-
Trade and other receivables		12,580,020	10,380,307	1,280,410	2,596,880
Cash and cash equivalents		16,133,113	21,881,179	4,966,123	8,743,944
		33,600,746	36,776,145	6,246,533	11,340,834
<b>Total assets</b>		66,544,365	69,879,129	35,342,077	40,436,378
<b>Shareholders' equity</b>					
Share capital	(2)	14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve		969,643	(87,478)	-	-
Accumulated profits		39,084,048	43,664,534	19,646,723	24,928,388
		54,836,622	58,359,987	34,429,654	39,711,319
<b>Non-current liabilities</b>					
Deferred tax liabilities	(1)	1,704,712	1,434,464	490,856	213,960
Trade and other payables		390,491	643,777	-	-
Lease liabilities		677,262	967,621	-	-
		2,772,465	3,045,862	490,856	213,960
<b>Current liabilities</b>					
Trade and other payables	(1)	6,023,459	6,436,347	416,881	502,740
Lease liabilities		1,458,652	847,230	-	-
Current tax payable		1,453,167	1,189,703	4,686	8,359
		8,935,278	8,473,280	421,567	511,099
<b>Total liabilities</b>		11,707,743	11,519,142	912,423	725,059
<b>Total equity and liabilities</b>		66,544,365	69,879,129	35,342,077	40,436,378

Notes:

- (1) Right-of-use assets related and corresponding lease liabilities mainly relate to leases on various factory premises occupied by the Group.
- (2) The movement in foreign currency translation reserve in YTD 3Q20 was mainly due to appreciation of the US Dollar, Malaysia Ringgit and Chinese Renminbi against Singapore Dollar.

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

As at 31 Mar 20		As at 30 June 19	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

**Amount repayable after one year**

As at 31 Mar 20		As at 30 June 19	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

**Details of any collateral**

Not applicable

1(c) A statement of cash flow (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 2020 S\$	Jan to Mar 2019 S\$	Jul to Mar 2020 S\$	Jul to Mar 2019 S\$
<b>Cash flows from operating activities</b>					
Profit for the period		3,868,641	2,612,338	10,713,021	10,243,463
Adjustments for:					
Depreciation of property, plant and equipment		1,707,561	1,622,954	5,029,637	4,888,501
Property, plant and equipment written off		98	2,480	125	4,109
(Gain)/loss/(gain) on disposal of property, plant and equipment		(1,489)	(4,298)	29,388	5,254
Interest income		(51,872)	(54,673)	(186,308)	(167,574)
Interest expenses on lease liabilities		28,464	28,717	78,514	85,884
Tax expenses		1,177,550	796,007	3,404,410	3,258,137
<b>Operating profit before changes in working capital</b>		6,728,953	5,003,525	19,068,787	18,317,774
Inventories		68,629	362,941	(225,232)	152,698
Trade and other receivables		(952,174)	922,651	(2,457,284)	1,355,000
Trade and other payables		(448,549)	157,632	(970,678)	(1,394,437)
Cash generated from operations		5,396,859	6,446,749	15,415,593	18,431,035
Income tax paid		(894,618)	(1,086,304)	(2,885,101)	(3,431,082)
<b>Net cash from operating activities</b>		4,502,241	5,360,445	12,530,492	14,999,953
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(1)	(717,106)	(899,084)	(2,724,882)	(2,385,938)
Proceeds from disposal of property, plant and equipment		1,509	8,927	111,206	10,744
Interest received		55,152	48,929	198,792	169,751
<b>Net cash used in investing activities</b>		(660,445)	(841,228)	(2,414,884)	(2,205,443)
<b>Cash flows from financing activities</b>					
Leases paid		(117,925)	(404,269)	(696,303)	(862,327)
Dividends paid		(6,951,594)	(5,561,275)	(15,293,507)	(13,903,188)
<b>Net cash used in financing activities</b>		(7,069,519)	(5,965,544)	(15,989,810)	(14,765,515)
<b>Net decrease in cash and cash equivalents</b>		(3,227,723)	(1,446,327)	(5,874,202)	(1,971,005)
Cash and cash equivalents at beginning of period		19,007,348	20,192,534	21,717,779	20,918,381
Effect of exchange rate fluctuations		187,938	55,860	123,986	(145,309)
<b>Cash and cash equivalents at the end of period</b>	(2)	15,967,563	18,802,067	15,967,563	18,802,067

Notes:

(1) During 3Q20, the Group purchased approximately S\$717k of machines and accessories for all its factories.

(2) Cash and cash equivalent is derived from:

	<b>Group 31 Mar 20</b> S\$	<b>Group 31 Mar 19</b> S\$
Cash and cash equivalent balances	16,133,113	18,968,167
Less: Pledged cash placed with bank	(165,550)	(166,100)
	15,967,563	18,802,067

**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</b> S\$	<b>Foreign Currency Translation Reserve</b> S\$	<b>Accumulated remeasurement on retirement benefits</b> S\$	<b>Accumulated Profits</b> S\$	<b>Total</b> S\$
<b>The Group</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>					
Profit for the period	-	-	-	10,243,463	10,243,463
<b>Other comprehensive income:</b>					
Foreign currency translation difference	-	(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 Mar 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>
As at 1 July 2019	14,782,931	(67,882)	(19,596)	43,664,534	58,359,987
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	-	10,713,021	10,713,021
<b>Other comprehensive income:</b>					
Foreign currency translation difference	-	1,057,121	-	-	1,057,121
Total comprehensive income for the period	-	1,057,121	-	10,713,021	11,770,142
<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 FY2019	-	-	-	(8,341,913)	(8,341,913)
Interim dividend of 5 cents per share (one-tier tax exempt) in respect of FY2020	-	-	-	(6,951,594)	(6,951,594)
Total transactions with owners, recorded directly in equity	-	-	-	(15,293,507)	(15,293,507)
<b>As at 31 Mar 2020</b>	<b>14,782,931</b>	<b>989,239</b>	<b>(19,596)</b>	<b>39,084,048</b>	<b>54,836,622</b>

	Share Capital	Foreign Currency Translation Reserve	Accumulated remeasurement on retirement benefits	Accumulated Profits	Total
<b>The Company</b>					
As at 1 July 2018	14,782,931	-	-	18,472,255	33,255,186
<b>Total comprehensive income for the period:</b>					
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 Mar 2019</b>	<b>14,782,931</b>	<b>-</b>	<b>-</b>	<b>16,244,928</b>	<b>31,027,859</b>
As at 1 July 2019	14,782,931	-	-	24,928,388	39,711,319
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	-	10,011,842	10,011,842
Total comprehensive income for the period	-	-	-	10,011,842	10,011,842
<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 FY2019	-	-	-	(8,341,913)	(8,341,913)
Interim dividend of 5 cents per share (one-tier tax exempt) in respect of FY2020	-	-	-	(6,951,594)	(6,951,594)
Total transactions with owners, recorded directly in equity	-	-	-	(15,293,507)	(15,293,507)
<b>As at 31 Mar 2020</b>	<b>14,782,931</b>	<b>-</b>	<b>-</b>	<b>19,646,723</b>	<b>34,429,654</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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2020 and 31 March 2019. 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, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 modifications or emphasis of a matter).**

Not applicable.

**3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—**

**(a) Updates on the efforts taken to resolve each outstanding audit issue.**

The audited financial statements for the year ended 30 June 2019 was not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

**(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

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			
	Q3		Year-to-date (9 months)	
	Jan to Mar 2020	Jan to Mar 2019	Jul to Mar 2020	Jul to Mar 2019
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 on issue	2.78 cents	1.88 cents	7.71 cents	7.37 cents
(ii) On a fully diluted basis	2.78 cents	1.88 cents	7.71 cents	7.37 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 2019: 139,031,881).

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

**(a) current financial period reported on; and**

**(b) immediately preceding financial year.**

	Group 31 Mar 20	Group 30 Jun 19	Company 31 Mar 20	Company 30 Jun 19
Net Asset Value per ordinary share (cents)	39.44	41.98	24.76	28.56



The net asset value per ordinary share is calculated based on net assets of S\$54.8 million (30 June 2019: S\$58.4 million) and 139,031,881 (30 June 2019: 139,031,881) shares in issue at the end of the current financial year reported on/immediately preceding financial year.

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

## REVIEW OF PROFIT AND LOSS

### *Semiconductor Industry Review*

According to the World Semiconductor Trade Statistics (WSTS), world-wide chip sales declined 12.0% to US\$412.3 billion in 2019 from US\$468.8 billion in 2018. Latest data released by WSTS showed that worldwide semiconductor sales in January and February 2020 increased 4.6% to US\$71.53 billion compared to the same period in 2018.

The Semiconductor Industry Association (SIA) said that while global semiconductor sales in February 2020 were solid, the full impact of the COVID-19 pandemic on the global market has yet to be captured in available sales numbers.

In its white paper titled "Global Stakeholder Primer: The Semiconductor Industry & COVID-19" the SIA outlined why the semiconductor sector is an essential industry and called on all governments around the world at all levels to prioritize continued operations for their domestic semiconductor companies and their suppliers by defining the semiconductor industry and its supply chain as "essential infrastructure" and/or "essential business."

### *Group Revenue*

REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2020	S\$15,343,498	S\$16,275,737	S\$16,216,029	NA	NA
	FY2019	S\$16,884,314	S\$15,157,849	S\$14,358,199	S\$13,930,584	S\$60,330,946
% growth	(9.1%)	7.4%	12.9%	NA	NA	

For the three months ended 31 March 2020 (3Q20), the Group's revenue increased 12.9% to S\$16.2 million from S\$14.4 million in 3Q19 on the back of a broad-based increase in sales across most markets except for Malaysia where sales remained stable.

On a quarter-on-quarter (qoq) basis, Group revenue in 3Q20 was relatively stable at S\$16.2 million. Higher sales in the USA and Europe offset the decline in sales to customers in Singapore and Taiwan.

For the nine months ended 31 March 2020 (9M20), Group revenue increased marginally by 3.1% to S\$47.8 million from S\$46.4 million in 9M19. This was due mainly to higher sales in Singapore, China, Taiwan and the USA.

### *Revenue breakdown by Geographical Market*

Country	Group										
	2Q20	3Q20		3Q19		%	9M20		9M19		%
	S\$	S\$ m	%	S\$ m	%	change	S\$ m	%	S\$ m	%	change
Singapore	1.8	1.2	8%	0.6	4.1%	112%	3.8	8%	2.4	5.3%	58%
Malaysia	2.6	2.6	16%	2.6	18.0%	0%	7.7	16%	8.6	18.6%	(11%)
Philippines	1.5	1.4	8%	1.3	9.2%	3%	4.5	9%	4.9	10.5%	(8%)
Thailand	0.2	0.3	2%	0.3	1.7%	20%	0.9	2%	0.9	1.8%	1%
China	4.6	4.6	28%	4.0	28.0%	14%	13.8	29%	13.3	28.8%	4%
USA	3.2	3.6	22%	3.4	23.7%	7%	9.9	21%	9.6	20.7%	3%
Europe	0.4	0.7	5%	0.6	4.4%	17%	1.8	4%	1.9	4.1%	(6%)
Japan	0.3	0.3	2%	0.3	1.7%	30%	0.9	2%	0.8	1.6%	16%
Taiwan	1.5	1.3	8%	1.1	7.7%	15%	4.0	8%	3.3	7.1%	21%
Rest of world	0.2	0.2	1%	0.2	1.5%	(26%)	0.5	1%	0.7	1.5%	(23%)
<b>Total</b>	<b>16.3</b>	<b>16.2</b>	<b>100%</b>	<b>14.4</b>	<b>100%</b>	<b>13%</b>	<b>47.8</b>	<b>100%</b>	<b>46.4</b>	<b>100%</b>	<b>3%</b>

Sales in China increased 14% to S\$4.6 million in 3Q20 from S\$4.0 million in 3Q19. Although this factory was temporarily closed between 3 February to 12 February 2020 to comply with the Chinese government's directives, it has since resumed full operations to fulfill customers' requirements. As a result, China remained as our largest geographical market with a contribution of 28% to Group revenue.

The Singapore market saw sales increase by 112% to S\$1.2 million while sales to customers in Taiwan grew 15% to S\$1.3 million.

Sales to the USA increased 7% to S\$3.6 million in 3Q20. It remained as our second largest market and accounted for 22% of Group revenue. Sales at our third largest market of Malaysia held steady at S\$2.6 million and contributed 16% to the Group's revenue. Due to the COVID-19 situation, many companies in Malaysia and in the area where our factory in California is located were directed to suspend operations from the latter half of March. Please refer to Section 10 of this report and the Group's announcement released on 19 March 2020 for further details.

#### *Capacity Utilisation*

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2020	59%	61%	52%	NA	NA
	FY2019	58%	59%	55%	58%	57%

Our average capacity utilisation rate decreased to 52% in 3Q20 from 55% in 3Q19 due to lower utilisation of machines at our factories in Malaysia and China. Our factory in Malaysia witnessed a reduction in manufacturing activities due to the Movement Control Order implemented by the government of Malaysia. Utilisation rate at our factory in China was also affected by the temporary closure for 10 days in February 2020 as directed by the Chinese government.

#### *Gross Profit (GP) Margin*

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2020	53.4%	53.9%	52.0%	NA	NA
	FY2019	59.5%	52.4%	49.3%	52.4%	53.7%

The Group's gross profit (GP) increased 19.1% to S\$8.4 million in 3Q20 as compared to S\$7.1 million in 3Q19. Our GP margin improved to 52.0% in 3Q20 as compared to 49.3% in 3Q19.

#### *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
	FY2020	S\$3,775,046	S\$4,119,714	S\$3,386,070	NA	NA
	% of sales	24.6%	25.3%	20.9%		
FY2019	S\$4,047,737	S\$3,846,687	S\$3,672,648	S\$3,731,793	S\$15,298,865	
% of sales	24.0%	25.4%	25.6%	26.8%	25.4%	

Other income in 3Q20 increased to S\$674k from S\$177k in 3Q19. This was due mainly to government grants amounting to S\$389k that were given in Singapore to help businesses affected by the COVID-19 situation, and foreign exchange gain of S\$173k.

We maintained a tight control over our expense structure during 3Q20. Our distribution costs increased marginally to S\$762k while administrative expenses remained stable at S\$2.3 million in both for 3Q20 and 3Q19. The 17.6% increase in other operating expenses to S\$1.0 million in 3Q20 was mainly due to additional headcount and engineering expenses incurred to support the development of new parts and processes.

In aggregate, our administrative, distribution and other operating expenses (inclusive of other income) decreased to S\$3.4 million in 3Q20. As a percentage of Group revenue, these overhead expenses declined to 20.9% in 3Q20 as compared to 25.6% in the same period a year ago.

### *Profit before Tax and Net Profit*

		1Q	2Q	3Q	4Q	Full Year
Net Profit after tax	FY2020	S\$3,269,430	S\$3,574,950	S\$3,868,641	NA	NA
	FY2019	S\$4,506,172	S\$3,124,953	S\$2,612,338	S\$2,705,245	S\$12,948,705
	% growth	(27.4%)	14.4%	48.1%	NA	NA

As a result of the above, the Group's profit before tax increased 48.1% to S\$5.0 million in 3Q20 from S\$3.4 million in 3Q19. After deducting tax expense of S\$1.2 million (S\$0.8 million in 3Q19), the Group reported a net profit of S\$3.9 million in 3Q20, an increase of 48.1% from S\$2.6 million in 3Q19. Net profit margin in 3Q20 improved to 23.9% from 18.2% in 3Q19.

On a qoq basis, the Group's net profit in 3Q20 increased 8.2% from S\$3.6 million in 2Q20.

The effective tax rate for 3Q20 was 23.3% as compared to 23.4% for 3Q19. Tax expense for the quarter included a provision of S\$138k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

For 9M20, the Group's net profit increased 4.6% to S\$10.7 million from S\$10.2 million in 9M19 due to higher profits reported in 2Q20 and 3Q20. Net profit margin was relatively stable at 22.4% in 9M20 as compared to 9M19. Correspondingly, the Group recorded earnings per share of 7.71 cents in 9M20 as compared to 7.37 cents in 9M19.

### *Balance Sheet*

The Group remains in a sound financial position. As at 31 March 2020, we had a balance sheet with total assets of S\$66.5 million, shareholders' equity of S\$54.8 million, cash and cash equivalents of S\$16.1 million and no bank borrowings.

### *Long Term Assets*

As at 31 March 2020, non-current assets decreased to S\$32.9 million from S\$33.1 million as at 30 June 2019 due mainly to depreciation charges during the period under review.

### *Trade Receivables*

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2020	S\$10,275,281	S\$10,407,200	S\$11,222,282	NA
	≥ 90 days	0.29%	0.01%	0.08%	NA
	Write-off	-	-	-	NA
	FY2019	S\$11,960,650	S\$10,134,701	S\$9,420,244	S\$9,455,277
	≥ 90 days	0.02%	0.02%	0.18%	0.0%
	Write-off	-	-	-	-

Total trade receivables as at 31 March 2020 was S\$11.2 million, as compared to S\$9.5 million as at 30 June 2019. Of this, 0.08% was outstanding for 90 days or more (0% at end of 30 June 2019). There was no bad debt written off during 9M20 and 9M19.

### *Trade & Other Payables*

As at 31 March 2020, our trade payables totaled S\$1.1 million, of which S\$2k was outstanding for 30 days or more. Non-trade payables totaled S\$1.1 million. Other accrued expenses stood at S\$3.8 million.

### *Long term liabilities*

As at 31 March 2020, the deferred tax liabilities was S\$1.7 million as compared to S\$1.4 million as at 30 June 2019.

### *Inventory*

As a percentage of annualised sales, our inventory of S\$4.9 million as at 31 March 2020 (S\$4.5 million as at 30 June 2019) was 7.6% (7.5% as at 30 June 2019). Inventory written off in 9M20 totaled S\$80k (S\$72k in 9M19).

### Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2020 % of sales	S\$517,525	S\$1,490,251	S\$717,106	NA	NA
	FY2019 % of sales	S\$699,820	S\$787,034	S\$899,084	S\$1,032,207	S\$3,418,145 5.7%

The Group incurred capital expenditure of S\$0.7 million and S\$2.7 million in 3Q20 and 9M20 respectively. This was mainly to purchase new machines and accessories for all our factories. For FY2020, we expect to incur total capital expenditure of between S\$4 million to S\$6 million. Please refer to Section 10 of this report for further details.

### Cash Flow Analysis

The Group generated net cash from operations of S\$4.5 million in 3Q20 (S\$5.4 million in 3Q19). Net cash used for investing activities amounted to S\$0.7 million, which was mainly related to capital expenditure incurred. After paying S\$7.0 million as interim dividends in respect of 1H20, we closed the period with cash and cash equivalents of S\$16.1 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.**

#### Market, Industry and Competitive Conditions / Impact of COVID-19

According to statistics compiled by WSTS, world-wide chip sales during 2019 declined 12.0% to US\$412.3 billion from US\$468.8 billion in 2018. In December 2019, before the onset of the COVID-19 pandemic, WSTS had forecasted worldwide semiconductor sales to grow 5.9% in 2020. We expect the WSTS to revise its sales forecast downwards in its Spring market update which is scheduled for release in June 2020.

On 29 January 2020, we announced that our factory in Suzhou, China (“MMSU”), would be temporarily closed under a directive by the local government to help limit the spread of COVID-19 infections. After three weeks, which included the usual one-week break in observance of the Lunar New Year, MMSU reopened on 12 February 2020. We are incredibly proud of our team at MMSU for their efforts to resume operations and also for the way our people at our other facilities in Asia rallied to assist with production and in other ways.

On 19 March 2020, we also announced the Group would be complying with directives from the governments of Malaysia and the United States aimed at slowing the spread of COVID-19 by restricting business and social activity. Although many businesses in Malaysia were ordered to completely cease operations, the government has designated semiconductor manufacturing as an essential industry. As a result, our plant in Penang (“MMP”) received permission to continue its operations, albeit on a reduced staffing level of our normal level. Malaysia’s *Movement Control Order* (“MCO”) is currently slated to last through to 12 May 2020.

In the United States, our plant (“MMUS”) is also considered an essential business. After closing for one day on 17 March 2020 in order to transition its operation to reduced staffing, work-from-home and other stipulations by the government, MMUS resumed operations. Owing in large part to our strategy of building a highly-automated factory, MMUS has continued to operate seven days a week. The government’s *Shelter-In-Place* restrictions are currently slated to last until 3 May 2020.

When our plant in China closed in early February, our team in Singapore (“MMS”) took immediate steps to implement employee and visitor health-screening, limit travel and activate other preparations that we had put in place about a year earlier when MMS successfully completed ISO 22301:2012 for *Business Continuity Management*. As a result, when the Singapore government introduced additional *Circuit Breaker* measures on 7 April 2020 to slow the escalation of COVID-19 infections, MMS continued to operate without interruption.

In summary, the Group has ensured strict compliance with the COVID-19 restrictions of the governments in jurisdictions where we have operations. Thus far, the Group has not witnessed any significant impact on our business from the COVID-19 situation, except for MMP due to the MCO which has resulted in reduced level of operations for many of our customers in Malaysia.

### **Strategic, Operating and Financial Review**

In the midst of these unprecedented market and operating conditions, the Group performed admirably well in 3Q20. Group revenue increased 12.9% to S\$16.2 million from S\$14.4 million in 3Q19 while profit before tax increased 48.1% to S\$5.0 million from S\$3.4 million in 3Q19. For 9M20, Group profit before tax rose 4.6% to S\$14.1 million from S\$13.5 million in 9M19.

Although dealing with the repercussions of a global pandemic is something new for the Group, we have always been mindful of the need to build an organization that is strong, flexible and resilient. Whether it is the adverse impact of a market downturn, introduction of disruptive technology, political unrest or a host of other unforeseen events, we need to have goals, structures and processes in place that make it easier for the Group to adjust to changed circumstances and ensure business continuity. To this end, we intend to continue focusing on a handful of key initiatives which includes:

- *Maintaining a Healthy Gross Profit Margin* – Having a strong and unwavering focus on customers and the value we bring to their business is a key objective. This means working diligently to understand and meet the requirements of our customers by delivering *Perfect Parts and Tools, On-Time, Every Time*. As the semiconductor industry develops new equipment and processes for manufacturing chips with device geometries below 10 nano-meters, our customers will increasingly require parts and tools manufactured using improved materials and processes that eliminate defects and variability. In the future, we think there may only be a handful of suppliers capable of meeting these stringent requirements and our goal is to become a leading *Next Generation Supplier*. We believe that our strong customer focus and the great work by our people should enable the Group to maintain a healthy GP margin. Indeed, our GP margin in 3Q20 improved to 52.0% from 49.3% in the same quarter a year ago and was relatively steady at 53.1% in 9M20 (54.0% in 9M19). We plan to continue working to strengthen this key measure of our focus on the customer, competitive strength and the value our work creates.
- *Controlling Overhead Expenses* – Maintaining a tight rein on expenses and developing improved processes in order to keep a lean overhead structure is of critical importance. For instance, we completed a multi-million-dollar computerization effort designed to streamline workflows several years ago. We are also investing in advanced modelling and simulation tools to help our engineers work more effectively. As a result of these and other efforts, the Group performed well during 3Q20. Our total distribution, administrative and other expenses, including other income, declined 7.8% to S\$3.4 million from S\$3.7 million in 3Q19 (S\$4.1 million in 2Q20). When measured as a percentage of sales, our overhead costs during the quarter came to 20.9% compared to 25.6% during 3Q19.

After deducting taxes of S\$1.2 million (S\$0.8 million in 3Q19), the Group reported a net profit of S\$3.9 million, an increase of 48.1% from S\$2.6 million in the same quarter a year ago. For 9M19, net profit increased 4.6% to S\$10.7 million from S\$10.2 million in 9M19.

At the end of 3Q20, the Group employed 509 great people compared to 499 at the end of 3Q19. As the Group grows, we plan to continue working to improve efficiency, add personnel carefully and use technology to leverage the know-how and skills of our people.

- *Automating Our Operations* – Because a single defect can cause disastrous consequences in the high precision manufacturing of semiconductors, our customers need the parts and tools used in critical processes to be flawless. To achieve this, our goal is to automate our operations around processes that are repeatable, scalable and cost-effective. Due to the COVID-19 pandemic, we may adjust the timing of some of our capital expenditures this year. However, automation and the associated engineering are difficult tasks that need a steady and deliberate approach. During 3Q20, we spent S\$0.7 million primarily in new equipment which brought our total capital expenditures for 9M20 to S\$2.7 million. Depending on whether several major installations of new machines occur during 4Q20 or 1Q21, we expect our total capital spending for FY2020 to be between S\$4 million and S\$6 million.
- *Growing Without Debt and Rewarding Our Shareholders* – Building a great manufacturing business without debt helps to foster a culture of resourcefulness, discipline and careful decision making. In addition, we would like to attract shareholders who share our approach to long-term investing. Hence, one of the Group's key goals is to continue growing without taking on debt while building a track record for consistently rewarding shareholders. During 3Q20, we generated S\$4.5 million in net cash from operating activities (S\$5.4 million in 3Q19). After net investing activities of S\$0.7 million and a dividend payment during the quarter of S\$7.0 million, the Group ended the quarter in a strong financial position with S\$16.1 million in cash (including S\$0.2 million held as security

deposits) and no bank borrowings. Including the interim dividend paid in February 2020, we have distributed total dividends of 78.9 cents per share since 2003. Based on dividends alone, this translates into a return of nearly 430% for shareholders who bought Micro-Mechanics shares at our Initial Public Offer.

- *Excelling in Transparency and Governance* – Lastly, we would like to excel at the development and practice of transparency and good governance. Indeed, accurate, complete and timely information is the foundation for sound decision making – not just for investors – but for everyone at Micro-Mechanics from the board room to the shop floor. Since our listing in 2003, the Group has received recognition 31 times for our good corporate governance, transparency and investor relations. In addition, in the Singapore Governance and Transparency Index (SGTI) released on 7 August 2019, Micro-Mechanics ranked 17<sup>th</sup> out of 578 companies listed on the Singapore Exchange. The top 25 companies in the SGTI are mainly large capitalisation companies.

To affirm our commitment to transparency and good disclosure, our Board decided unanimously in February 2020 to continue with quarterly reporting of the Group’s financial results. Although it entails more work, we think it is the right decision especially after the fast-moving events that we witnessed during 3Q20. We intend to continue working to build a strong corporate culture based on transparency, clear metrics of performance, stakeholder accountability and an unwavering commitment to good governance.

### **Back to Better**

As we move into 4Q20, it is difficult to accurately assess the economic impact of the COVID-19 pandemic on our business. With large sections of the world economy in turmoil and near shutdowns of whole industries, there is plenty to worry about. While we continued to see strong demand for our high precision tools and parts during 3Q20, rapidly changing measures to combat the pandemic by various governments around the world is making the business outlook highly unpredictable.

Although the short term outlook appears challenging for businesses worldwide, our view for the future of the semiconductor industry remains unchanged. We believe the industry is poised for a prolonged period of solid growth as chips become 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.

As we move forward, our goal is not to hope for life and business to just go *back to normal*. Instead, we want to absorb what we have learned, implement more fully some of the changes we made to adapt to changing circumstances, and better anticipate the challenges that lie ahead. In short, we have an incredible opportunity to go *back to better*.

We would like to express our appreciation to all our people at Micro-Mechanics for their vision, teamwork and tireless commitment. Indeed, it is during times such as these where our saying has never rung more true: *People Make Everything Happen!*

### **Compliance with SGX’s new COVID-19 disclosure requirements**

With reference to the “Regulator’s Column: What SGX expects of issuers’ disclosures during COVID-19” issued by the SGX on 22 April 2020”, the Group wishes to state that in Section 10 of this announcement, it has made every effort to help investors make an independent assessment of the Group’s prospects by disclosing material information that reflects its current state of affairs and outlook and in particular, providing an assessment of the strategy or steps being taken to address the effects of COVID-19 and how the Group’s operating and financial conditions may change.

## **11. If a decision regarding dividend has been made:-**

### **(a) Whether an interim (final) ordinary dividend has been declared (recommended)**

Nil

### **(b) (i) Amount per share in cents (ii) Previous corresponding period in cents**

(i) Nil

(ii) Nil

**(c) Whether the dividend is before tax, net of tax or tax-exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated.**

Not applicable

**(d) The date dividend is payable**

Not applicable

**(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable

**12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividend has been declared in the third quarter ended 31 March 2020 which is in line with the Group's usual practice to declare or recommend dividend in the second quarter and fourth quarter of each financial year since its IPO.

**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 nine months ended 31 March 2020, the Group has made rental payment of US\$288,000 (31 March 2019: US\$279,000) and solar-generated electrical services payment of US\$116,482 (31 March 2019: US\$46,051) 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 31 March 2020 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  
24 April 2020