

MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Third Quarter Financial Statements Announcement for the period ended 31/03/2016

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.

		Group					
		Q3			Year-to-date (9 months)		
	Note	Jan to Mar 2016 S\$	Jan to Mar 2015 S\$	Change	Jul to Mar 2016 S\$	Jul to Mar 2015 S\$	Change
Revenue	(1)	12,529,565	13,397,284	(6.5%)	38,322,612	39,329,460	(2.6%)
Cost of sales	(2)	(5,370,404)	(6,011,654)	(10.7%)	(16,555,913)	(17,993,029)	(8.0%)
Gross profit		7,159,161	7,385,630	(3.1%)	21,766,699	21,336,431	2.0%
Other income	(3)	233,809	690,694	(66.1%)	522,350	1,531,683	(65.9%)
Distribution costs		(743,274)	(720,797)	3.1%	(2,198,113)	(2,165,034)	1.5%
Administrative expenses	(4)	(1,903,100)	(2,026,030)	(6.1%)	(5,895,213)	(6,632,672)	(11.1%)
Other operating expenses	(5)	(1,083,583)	(732,260)	48.0%	(2,381,000)	(2,124,974)	12.0%
Profit from operations		3,663,013	4,597,237	(20.3%)	11,814,723	11,945,434	(1.1%)
Finance costs		-	-	-	-	-	-
Profit before income tax	(6)	3,663,013	4,597,237	(20.3%)	11,814,723	11,945,434	(1.1%)
Income tax expense	(7)	(927,007)	(876,221)	(5.8%)	(2,762,327)	(2,754,066)	0.3%
Profit after tax		2,736,006	3,721,016	(26.5%)	9,052,396	9,191,368	(1.5%)
Non-controlling interests		-	-	-	-	-	-
Profit for the period		2,736,006	3,721,016	(26.5%)	9,052,396	9,191,368	(1.5%)
Statement of Comprehensive Income							
Profit for the period		2,736,006	3,721,016	(26.5%)	9,052,396	9,191,368	(1.5%)
Other comprehensive income:							
Foreign currency translation differences for foreign operations, net of tax		(76,016)	(11,945)	536.4%	(1,107,281)	(19,517)	5,573.4%
Total comprehensive income for the period		2,659,990	3,709,071	(28.3%)	7,945,115	9,171,851	(13.4%)

n.m.: Not meaningful

Notes:

- Please refer to section 8 of this announcement for an analysis of the Group's revenue.
- Cost of sales decreased in line with the decrease in sales. Production headcount reduced from 297 in 3Q15 to 288 in 3Q16.

- (3) Other income consists of:

	Q3			Year-to-date (9 months)		
	Jan to Mar 2016 S\$	Jan to Mar 2015 S\$	Change	Jul to Mar 2016 S\$	Jul to Mar 2015 S\$	Change
Gain- on disposal of property, plant and equipment	19,884	13,279	49.7%	119,017	62,169	91.4%
Gain on disposal of assets held for disposal	-	5,326	(100.0%)	-	255,710	(100.0%)
Interest income from banks and others	36,489	37,799	(3.5%)	104,492	105,107	(0.6%)
Rental income	28,639	31,329	(8.6%)	84,605	96,571	(12.4%)
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	134,859	84,434	59.7%	162,532	104,051	56.2%
Exchange -gain	-	487,958	(100.0%)	-	806,011	(100.0%)
Others	13,938	30,569	(54.4%)	51,704	102,064	(49.3%)

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

	Q3			Year-to-date (9 months)		
	Jan to Mar 2016 S\$	Jan to Mar 2015 S\$	Change	Jul to Mar 2016 S\$	Jul to Mar 2015 S\$	Change
Trade receivables written off	-	-	-	11,365	1,165	875.5%
Depreciation of property, plant and equipment	1,075,100	1,184,095	(9.2%)	3,335,133	3,527,211	(5.4%)
Exchange loss	366,392	-	n.m.	122,657	-	n.m.
Inventories written off	12,789	18,280	(30.0%)	50,914	77,121	(34.0%)
Fixed assets written off	17	22,064	(99.9%)	337	75,559	(99.6%)

n.m. – Not meaningful

- (7) The effective tax rate for 3Q16 was 25.3% as compared to 19.1% in 3Q15. Included in the tax expense for yoy 3Q16 was withholding tax of S\$114k paid in relation to dividends remitted to Singapore from various overseas subsidiaries and a provision made of S\$163k in relation to withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.
- (8) Depreciation expenses in 3Q16 decreased 9.2% to S\$1.1 million as some equipment were fully depreciated in the current quarter as compared to 3Q15.

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 16 S\$	Group 30 Jun 15 S\$	Company 31 Mar 16 S\$	Company 30 Jun 15 S\$
Non-current assets					
Property, plant and equipment	(1)	25,925,973	26,645,774	-	-
Subsidiaries		-	-	21,282,370	17,855,816
Trade and other receivables		343,026	273,017	960,280	4,696,028
		26,268,999	26,918,791	22,242,650	22,551,844
Current assets					
Inventories	(2)	3,377,061	3,504,331	-	-
Trade and other receivables		9,572,296	10,173,370	546,826	6,848,896
Cash and cash equivalents		17,064,460	15,161,285	7,043,436	2,411,980
		30,013,817	28,838,986	7,590,262	9,260,876
Total assets		56,282,816	55,757,777	29,832,912	31,812,720
Shareholders' equity					
Share capital	(2)	14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve		(4,467,164)	(3,359,883)	-	-
Accumulated profits		37,563,671	35,462,869	14,763,387	16,639,957
		47,879,438	46,885,917	29,546,318	31,422,888
Non-current liabilities					
Deferred tax liabilities	(2)	1,461,705	1,344,479	-	-
Other payables		255,467	235,087	-	-
		1,717,172	1,579,566	-	-
Current liabilities					
Trade and other payables	(2)	5,217,759	5,861,722	282,704	385,463
Current tax payable		1,468,447	1,430,572	3,890	4,369
		6,686,206	7,292,294	286,594	389,832
Total liabilities		8,403,378	8,871,860	286,594	389,832
Total equity and liabilities		56,282,816	55,757,777	29,832,912	31,812,720

Notes:

- (1) On 4 November 2015, the Group announced an increase in investment in its USA subsidiary from US\$4.5 million to US\$10.5 million through the capitalization of an inter-company loan.
- (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.

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 16		As at 31 Mar 15	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31 Mar 16		As at 31 Mar 15	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Not applicable

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

		GROUP			
		Q3		Year-to-date (9 months)	
	Note	Jan to Mar 2016 S\$	Jan to Mar 2015 S\$	Jul to Mar 2016 S\$	Jul to Mar 2015 S\$
Cash flows from operating activities					
Profit before income tax		3,663,013	4,597,237	11,814,723	11,945,434
Adjustments for:					
Depreciation of property, plant and equipment		1,075,100	1,184,095	3,335,133	3,527,211
Fixed assets written off		17	22,064	337	75,559
Gain on disposal of property, plant and equipment		(19,884)	(13,279)	(119,017)	(62,169)
Gain on disposal of assets held for sale		-	(5,326)	-	(255,710)
Interest income		(36,489)	(37,799)	(104,492)	(105,107)
Operating profit before changes in working capital		4,681,757	5,746,992	14,926,684	15,125,218
Inventories		(127,468)	49,629	127,270	(304,814)
Trade and other receivables		318,520	182,233	500,276	(1,350,210)
Trade and other payables		673,010	(1,087,000)	(754,305)	(737,251)
Cash generated from operations		5,545,819	4,891,854	14,799,925	12,732,943
Income tax paid		(856,446)	(586,340)	(2,429,821)	(1,439,303)
Net cash from operating activities		4,689,373	4,305,514	12,370,104	11,293,640
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,782,395)	(758,556)	(2,924,384)	(3,120,990)
Proceeds from disposal of property, plant and equipment		20,264	31,082	223,465	348,947
Proceeds from disposal of assets held for sale		-	12,912	-	330,048
Interest received		40,289	40,645	135,281	125,059
Net cash used in investing activities		(1,721,842)	(673,917)	(2,565,638)	(2,316,936)
Cash flows from financing activities					
Deposits pledged		(7,549)	12,287	5,925	17,288
Dividends paid	(1)	(2,780,638)	(2,780,638)	(6,951,594)	(5,561,275)
Net cash used in financing activities		(2,788,187)	(2,768,351)	(6,945,669)	(5,543,987)
Net increase in cash and cash equivalents		179,344	863,246	2,858,797	3,432,717
Cash and cash equivalents at beginning of period		16,475,480	13,257,412	14,983,111	10,879,132
Effect of exchange rate fluctuations		237,388	(235,514)	(949,696)	(426,705)
Cash and cash equivalents at the end of period	(2)	16,892,212	13,885,144	16,892,212	13,885,144

Notes:

(1) The Company paid an interim dividend of 2.0 cents per ordinary share (one-tier tax exempt) in respect of FY2016.

(2) Cash and cash equivalent is derived from:

	Group 31 Mar 16 S\$	Group 31 Mar 15 S\$
Cash and cash equivalent balances	17,064,460	14,070,717
Less: Pledged cash placed with bank	(172,248)	(185,573)
	16,892,212	13,885,144

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

	Share Capital S\$	Foreign Currency Translation Reserve S\$	Accumulated Profits S\$	Total S\$
The Group				
As at 1 July 2015	14,782,931	(3,359,883)	35,462,869	46,885,917
Total comprehensive income for the period				
Net profit for the period	-	-	6,316,390	6,316,390
Other comprehensive income				
Foreign currency translation differences, net of tax	-	(1,031,265)	-	(1,031,265)
Total comprehensive income for the period	-	(1,031,265)	6,316,390	5,285,125
Transactions with owners, recorded directly in equity				
Final dividend of 3 cents per share (one-tier tax exempt) in respect of FY2015	-	-	(4,170,956)	(4,170,956)
Total transactions with owners, recorded directly in equity	-	-	(4,170,956)	(4,170,956)
As at 31 December 2015	14,782,931	(4,391,148)	37,608,303	48,000,086
As at 1 January 2016	14,782,931	(4,391,148)	37,608,303	48,000,086
Total comprehensive income for the period				
Net profit for the period	-	-	2,736,006	2,736,006
Other comprehensive income				
Foreign currency translation differences, net of tax	-	(76,016)	-	(76,016)
Total comprehensive income for the period	-	(76,016)	2,736,006	2,659,990
Transactions with owners, recorded directly in equity				
Interim dividend of 2 cents per share (one-tier tax exempt) in respect of FY2016	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(2,780,638)	(2,780,638)
As at 31 March 2016	14,782,931	(4,467,164)	37,563,671	47,879,438

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
	S\$	S\$	S\$	S\$
The Company				
As at 1 July 2015	14,782,931	-	16,639,957	31,422,888
Total comprehensive income for the period				
Net profit for the period	-	-	5,275,944	5,275,944
Total comprehensive income for the period	-	-	5,275,944	5,275,944
Transactions with owners, recorded directly in equity				
Final dividend of 3 cents per share (one-tier tax exempt) in respect of FY2015	-	-	(4,170,956)	(4,170,956)
Total transactions with owners, recorded directly in equity	-	-	(4,170,956)	(4,170,956)
As at 31 December 2015	14,782,931	-	17,744,945	32,527,876
As at 1 January 2016	14,782,931	-	17,744,945	32,527,876
Total comprehensive income for the period				
Net profit for the period	-	-	(200,920)	(200,920)
Total comprehensive income for the period	-	-	(200,920)	(200,920)
Transactions with owners, recorded directly in equity				
Interim dividend of 2 cents per share (one-tier tax exempt) in respect of FY2016	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(2,780,638)	(2,780,638)
As at 31 March 2016	14,782,931	-	14,763,387	29,546,318

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 2016 and 31 March 2015. 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 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			
	Q3		Year-to-date (9 months)	
	Jan to Mar 2016	Jan to Mar 2015	Jul to Mar 2016	Jul to Mar 2015
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	1.97 cents	2.68 cents	6.51 cents	6.61 cents
(ii) On a fully diluted basis	1.97 cents	2.68 cents	6.51 cents	6.61 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 2015: 139,031,881).

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

	Group 31 Mar 16	Group 30 Jun 15	Company 31 Mar 16	Company 30 Jun 15
Net Asset Value per ordinary share (cents)	34.44	33.72	21.25	22.60

The net asset value per ordinary share is calculated based on net assets of S\$47.9 million (30 June 2015: S\$46.9 million) and 139,031,881 (30 June 2015: 139,031,881) shares in issue at the end of the current financial year reported on/immediately preceding financial year.

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

REVIEW OF PROFIT AND LOSS

Semiconductor Industry Review

According to the Semiconductor Industry Association (SIA), the global semiconductor industry posted sales of US\$335.2 billion in 2015, a slight decrease of 0.2% compared to 2014 which was the highest-ever sales recorded by the industry. Although the SIA has so far only released the sales results for the first two months of 2016, worldwide semiconductor sales are off to a sluggish start with total chip sales of US\$52.9 billion, down about 6% from the corresponding two-month period in 2015. Sales fell across all the key regional markets with the

exception of China where sales increased about 4% year-on-year. The SIA said global semiconductor sales slipped due to softening demand and unfavorable macroeconomic conditions.

On 26 February 2016, the World Semiconductor Trade Statistics (WSTS) said it had recalculated its Autumn 2015 Forecast using the actual figures from the fourth quarter of 2015. It is now forecasting the worldwide semiconductor market to increase 0.3% to US\$336 billion in 2016 and grow 3.1% to US\$347 billion in 2017. This compares to its previous growth forecasts of 1.4% in 2016 and 3.1% in 2017.

Group Revenue

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

For the three months ended 31 March 2016 (3Q16), the Group's revenue decreased 6.5% year-on-year (yoy) to S\$12.5 million. The revenue contraction was due to lower sales of the semiconductor tooling business as a result of slower conditions in the technology sector as well as the depreciation of the Malaysian Ringgit by 9% and the Chinese Renminbi by 4% when translated to our reporting currency in Singapore Dollars. On a quarter-on-quarter (qoq) basis, Group revenue increased 2.8% from S\$12.2 million in 2Q16.

For the nine months ended 31 March 2016 (9M16), Group revenue decreased to S\$38.3 million from S\$39.3 million in 9M15 due to lower revenue reported in the second and third quarters of FY2016.

Revenue breakdown by Product Segment

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

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

The Group's semiconductor tooling segment, which serves customers involved in the assembly and testing of semiconductors, posted a 8.4% decrease in sales to S\$10.4 million in 3Q16. On a qoq basis, sales of our semiconductor tooling segment in 3Q16 declined 4.1% from S\$10.8 million in 2Q16 due mainly to slower conditions in the semiconductor sector.

Our CMA division, which serves high technology capital equipment manufacturers in the aerospace, medical, laser and wafer fabrication industries, reported higher revenue of S\$2.2 million in 3Q16 as compared to S\$2.1 million in 3Q15. On a qoq basis, CMA sales in 3Q16 improved 57.2% from S\$1.4 million in 2Q16 due to ongoing efforts to grow the division's sales.

In 9M16, the semiconductor tooling and CMA segments accounted for approximately 86.5% and 13.5% respectively of the Group's revenue.

Revenue breakdown by Geographical Market

Country	Group									
	2Q16 S\$m	3Q16 S\$m	%	3Q15 S\$m	%	% change	9M16 S\$m	%	9M15 S\$m	% change
Singapore	0.6	0.6	5%	1.0	7%	(35.5%)	2.0	5%	2.7	7%
Malaysia	2.5	2.6	21%	2.8	21%	(7.6%)	7.8	20%	8.5	22%
Philippines	1.1	1.0	9%	1.3	10%	(15.7%)	3.5	9%	3.5	9%
Thailand	0.2	0.3	2%	0.2	2%	23.8%	0.7	2%	1.0	3%
China	3.5	3.3	26%	3.6	27%	(9.4%)	10.9	28%	10.3	26%
USA	1.7	2.4	19%	1.9	14%	24.4%	6.0	16%	5.6	14%
Europe	0.7	0.6	5%	0.5	4%	13.4%	1.9	5%	1.6	4%
Japan	0.3	0.2	2%	0.2	2%	(17.9%)	0.7	2%	0.8	2%
Taiwan	1.2	1.2	9%	1.3	10%	(13.5%)	3.8	10%	3.9	10%
Rest of world	0.4	0.3	2%	0.6	3%	(29.4%)	1.0	3%	1.4	3%
Total	12.2	12.5	100%	13.4	100%	(6.5%)	38.3	100%	39.3	100%

Sales in the Group's markets for semiconductor tools were generally lower in 3Q16, reflecting the sluggish conditions in the semiconductor industry. Sales in China, which is the Group's largest tooling market, declined 9.4% to S\$3.3 million due partly to the translational impact of a 4% depreciation of the Chinese Renminbi against the Singapore dollar. While sales in our second largest market of Malaysia increased in volume terms, revenue from this market decreased 7.6% yoy to S\$2.6 million due to a 9% depreciation of the Malaysian Ringgit against the Singapore Dollar.

Sales to customers in the USA, which is mainly a market for our CMA business, improved 24.4% to S\$2.4 million in 3Q16 due mainly to higher CMA sales.

Capacity Utilisation

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

Our average capacity utilisation rate in 3Q16 increased to 55% from 53% in 3Q15. This was due mainly to the higher machine utilisation rate of 35% at our CMA factory in the USA in 3Q16, as compared to 23% in 2Q16, in tandem with the increase in CMA sales.

Gross Profit (GP) Margin

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

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

Although Group revenue declined by 6.5% in 3Q16, our overall GP margin grew to 57.1% from 55.1% in 3Q15. This can be attributed to the implementation of 24/7 *Machining* and other strategies that have raised productivity and improved operating efficiency which translated to lower production costs.

The GP margin of our semiconductor tooling business increased to 63.3% in 3Q16 as compared to 61.6% in 3Q15 due to our continued focus on improving operational efficiencies. Our CMA division also recorded a higher GP margin of 27.5% in 3Q16, compared to 20.0% in 3Q15, due mainly to the increase in CMA sales.

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

Admin, Distribution and Other Operating Expenses (net of other income)		1Q	2Q	3Q	4Q	Full Year
	FY2016	S\$3,142,405	S\$3,313,423	S\$3,496,148	NA	NA
	% of sales	23.1%	27.2%	27.9%		
	FY2015	S\$3,325,523	S\$3,277,081	S\$2,788,393	S\$3,907,863	S\$13,298,860
	% of sales	25.5%	25.4%	20.8%	30.4%	25.5%

Other income in 3Q16 decreased 66.1% to S\$234k from S\$691k in 3Q15 due mainly to the absence of foreign exchange gain in 3Q16 as compared to an exchange gain of S\$488k recorded in 3Q15.

We continued to keep a close watch on our expense structure. Distribution expenses increased 3.1% to S\$743k from S\$721k in 3Q15. Administrative expenses decreased from S\$2.0 million in 3Q15 to S\$1.9 million in 3Q16 due mainly to lower amount of bonus accrual and that no expenses were incurred in respect of our Thailand factory which had ceased operations in FY2015. Other operating expenses increased from S\$0.7 million in 3Q15 to S\$1.1 million in 3Q16 due mainly to foreign exchange loss of S\$366k registered in 3Q16 on the US Dollar denominated receivables owing from our subsidiary in the USA.

Our total administrative, distribution and other operating expenses (net of other income) was S\$3.5 million in 3Q16, as compared to S\$2.8 million in 3Q15. As a percentage of sales, these overhead expenses increased to 27.9% in 3Q16 from 20.8% in same quarter a year ago.

Profit before Tax and Net Profit

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

The Group's profit before tax declined 20.3% or S\$0.9 million to S\$3.7 million in 3Q16 from S\$4.6 million in 3Q15. This was due mainly to foreign exchange loss registered in 3Q16 as opposed to an exchange gain in 3Q15, which had a net negative impact of S\$0.9 million on the Group's profit before tax in 3Q16.

The Group incurred higher tax expenses of S\$927k in 3Q16 (S\$876k in 3Q15) with our effective tax rate increased to 25.3% (19.1% in 3Q15). This was due mainly to fewer plant and equipment purchased that qualify for Singapore government incentive grant during the current reporting period.

After deducting tax, the Group reported a net profit of S\$2.7 million in 3Q16, a decline of 26.5% from S\$3.7 million in 3Q15. As a result, net profit margin in 3Q16 was lower at 21.8% as compared to 27.8% in 3Q15.

For 9M16, Group net profit was relatively stable at S\$9.1 million, as compared to S\$9.2 million in the corresponding nine month period. The Group's net profit margin increased to 23.6% in 9M16, from 23.4% previously. Earnings per share in nine months period was lower at 6.51 cents as compared to 6.61 cents in the corresponding nine months period.

Balance Sheet

As at 31 March 2016, the Group remained in a sound financial position with a balance sheet that had total assets of S\$56.3 million, shareholders' equity of S\$47.9 million, cash and cash equivalents of S\$17.1 million and no bank borrowings.

Long Term Assets

Non-current assets stood at S\$26.3 million as at 31 March 2016 as compared to S\$26.9 million as at 30 June 2015.

Trade Receivables

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

Total trade receivables as at 31 March 2016 decreased to S\$8.7 million as compared to S\$9.2 million at the end of FY2015. Of this, 0.1% was outstanding for 90 days or more (0.3% at end of 30 June 2015). Bad debts written off for the nine months period was S\$11.4k or 0.1% of trade receivables (0.01% during FY2015).

Trade & Other Payables

As at 31 March 2016, our trade payables totaled S\$1.1 million, of which S\$263k was outstanding for 30 days or more. Non-trade payables totaled S\$1.1 million. Other accrued expenses stood at S\$3.0 million.

Deferred Tax Liabilities

Deferred tax liabilities as at 31 March 2016 amounted to S\$1.5 million, compared to S\$1.3 million as at 30 June 2015.

Inventory

As a percentage of annualised sales, our inventory of S\$3.4 million as at 31 March 2016 (S\$3.5 million at end-FY2015) was 6.6% (6.7% at end of FY2015). Inventory written off during 9M16 totaled S\$51k, as compared to S\$77k in corresponding nine months.

Capital Expenditure

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

Our capital expenditure totaled S\$1.8 million in 3Q16. This was mainly related to the purchase of equipment and machine accessories for our plant in China, the USA, Malaysia and the Philippines to enhance productivity and operational efficiency.

Our planned capital expenditure for FY2016 is expected to amount to approximately S\$6.6 million, which is to be utilised for the purchase of additional machines and equipment to further enhance automation and operational efficiency. For 9M16, our capital expenditure amounted to S\$2.9 million.

Cash Flow Analysis

The Group generated net cash from operations of S\$4.7 million in 3Q16 (S\$4.3 million in 3Q15). Net cash used for investing activities amounted to S\$1.7 million which was mainly in relation to capital expenditure. After paying S\$2.8 million of interim dividends for FY2016, we closed the period with cash and cash equivalents of S\$17.1 million, including S\$172k 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 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.

Financial Performance

During 3Q16, Group revenue declined 6.5% to S\$12.5 million from S\$13.4 million in the same quarter a year ago. Reflecting sluggish spending in the technology sector and slower semiconductor industry conditions, the revenue for our semiconductor tooling division fell 8.4% to S\$10.4 million in 3Q16. While the Group's profit before tax declined 20.3% to S\$3.7 million in 3Q16, the decrease of S\$0.9 million was attributable mainly to the impact of foreign exchange related items on our income statement.

Although growth in China has moderated, we believe this market will continue developing into a major center for global chip manufacturing in the long term. As a result, we are continuing to strengthen the capabilities of our plant in Suzhou. For the first nine months of FY2016, sales of our semiconductor tools in China grew 5.9% to S\$10.9 million and remains our largest geographical market with a contribution of 28% to Group revenue. At 20% of Group revenue, Malaysia remains our second-largest market. However, revenue in Malaysia fell 8.8% to S\$7.8 million in 9M16, reflecting both slower economic conditions and the impact of the Malaysia Ringgit's depreciation against the Singapore dollar by 12%.

As we continue to focus on implementing *24/7 Machining* and other strategies designed to improve operational efficiency and enhance the value we bring to our customers, the GP margin for our semiconductor business improved to 63.3% during 3Q16 from 61.6% in the same period a year ago.

During 3Q16, our subsidiary in the USA ("MMUS"), which houses our CMA division, recorded a loss of about S\$38k which included about S\$329k in depreciation expense and approximately S\$359k in engineering and development costs. While this was an improvement from the loss of S\$537k that MMUS incurred in 2Q16, the performance of the unit remains a cause for concern. Our team at MMUS is working diligently and as we head into the last quarter of FY2016, our main focus is to grow CMA sales by working to strengthen our new-part engineering processes and enhance our strategic importance to key customers in the semiconductor wafer-fabrication, laser and aerospace industries.

At the same time, developing new material formulations or ground-breaking engineering and manufacturing processes is an important business strategy. The Group competes in industries characterized by rapid technological advances and our ability to remain relevant and grow depends on being able to develop innovative solutions that meet the increasingly complex and stringent demands of our customers. Just as our plant in Singapore is ideally suited to developing proprietary material and fine-machining capabilities to support the Asia-centric semiconductor industry, our factory in the Silicon Valley is similarly well placed to develop the *Next Generation* of repeatable, scalable and cost-effective machining processes required by makers of high-tech equipment.

With no bank borrowings to service and our tight control over inventory and receivables, net cash generated from operating activities in 3Q16 totaled S\$4.7 million compared with S\$4.3 million in the same quarter a year ago. After capital spending of S\$1.8 million and dividends paid of S\$2.8 million, we ended the quarter in a strong financial position with S\$17.1 million in cash (including S\$172k in pledged deposits), no bank borrowings and trade payables of S\$1.1 million (of which S\$263k was outstanding for 30 days or more).

Market, Industry and Competitive Conditions

On a short-term basis, business forecasting and planning remains difficult. Visibility is clouded by a host of political and economic uncertainties, turbulent markets and continued unrest in various parts of the world.

The SIA said that worldwide sales of semiconductors during 2015 were down slightly by 0.2% compared to 2014. As SIA data shows that sales for the first two months of 2016 are down 6.0% from the previous year, we believe 2016 will be a sluggish year for the semiconductor industry. In addition, as the industry becomes increasingly driven by demand for consumer electronics, we will continue to see pressure on selling prices and delivery leadtimes from our customers. Together with rising costs and a shortage of skilled workers, the operating environment for the Group will continue to be challenging.

Corporate Mission and Key Operating Strategies

Despite the challenging operating environment, we understand what is required for the Group to sustain its growth over the long term. We are continuing to focus on our customers and the value we bring to their businesses.

Whether we design and manufacture a tool for a delicate semiconductor assembly process or machine a 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.

As we pursue this mission and the value it represents to our customers, we plan to continue to deploy resources towards the development of automated processes. At the beginning of FY2012, we employed about 601 people around the world. By focusing on our core competencies and developing innovative processes such as *24/7 Machining* to improve the quality, velocity and productivity of our operations, we have gradually reduced our headcount by nearly 29% to 428 people at the end of 3Q16.

Whether it is dealing with cost pressures, implementing complex engineering initiatives or developing a better approach to business planning, we need to foster an environment of continuous learning, innovation and improvement. To help build such a culture amongst our people, we began a carefully structured in-house training program several years ago which we call *MMUniversity*. With a series of workshops on *Customer Value*, *Business Planning*, *24/7 Machining*, and *The Fundamentals of Value-Driven Decision Making*, our goal is to help our people develop a common framework for making more informed and aligned decisions based on our mission and an understanding of value.

More recently, in light of several high profile corporate scandals, we have begun to work even more purposefully to safeguard and strengthen the Group's corporate culture. Although it is not listed on a register of our company's assets, we view our culture – *the way we think, act and work together* – as an asset of immense value. During 3Q16, we began teaching a new course titled *Building a 'Perfect' Culture*. Through this workshop, we want to ensure that our people understand the Group's core values and are working to make decisions and take actions that are consistent with our values, the laws and regulations of each country within which the Group operates, and the long-term interests of our customers, employees, suppliers, community and shareholders.

Transparency and Governance

Since listing in 2003, the Group has received recognition 18 times for our good corporate governance, transparency and investor relations practices. Transparency within an organisation - accurate, complete and timely information - is the foundation for sound decision making. We intend to continue working to build a strong corporate culture based on transparency, clear metrics of performance, accountability to stakeholders and an unwavering commitment to good governance.

Appreciation and Stakeholder Value

Since our listing, we have also had a consistent practice of rewarding shareholders for their continuous support of Micro-Mechanics. After taking into account excellent feedback from our shareholders, we adopted and announced on 2 September 2015 a formal dividend policy. During 3Q16, we paid an interim dividend of 2 cents per ordinary share (one-tier tax exempt) totaling S\$2.8 million.

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

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

Not applicable

13. Interested Persons Transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

For the financial period 9 month ended 31 March 2016, the Group has made rental payment of US\$252,000 (31 March 2015: Nil) 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 2016 to be false or misleading in any material aspect.

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

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

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

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

Not applicable

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

Not applicable

- 18. A breakdown of sales.**

Not applicable

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

Not applicable

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

Not applicable

BY ORDER OF THE BOARD

CHOW KAM WING

Company Secretary

28 April 2016