

MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Second Quarter Financial Statements Announcement for the period ended 31/12/2014

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 2014 S\$	Oct to Dec 2013 S\$	Change	Jul to Dec 2014 S\$	Jul to Dec 2013 S\$	Change
Revenue	(1)	12,893,988	10,481,430	23.0%	25,932,176	21,563,470	20.3%
Cost of sales	(2)	(5,836,241)	(5,203,433)	12.2%	(11,981,375)	(10,598,982)	13.0%
Gross profit		7,057,747	5,277,997	33.7%	13,950,801	10,964,488	27.2%
Other income	(3)	512,874	142,909	258.9%	787,494	548,428	43.6%
Distribution costs		(786,856)	(781,555)	0.7%	(1,567,631)	(1,593,085)	(1.6%)
Administrative expenses	(4)	(2,252,111)	(1,932,602)	16.5%	(4,429,753)	(3,842,806)	15.3%
Other operating expenses	(5)	(750,988)	(682,948)	10.0%	(1,392,714)	(1,358,920)	2.5%
Profit from operations		3,780,666	2,023,801	86.8%	7,348,197	4,718,105	55.7%
Finance costs		-	-	-	-	-	-
Profit before income tax	(6)	3,780,666	2,023,801	86.8%	7,348,197	4,718,105	55.7%
Income tax expense	(7)	(1,108,937)	(662,234)	67.5%	(1,877,845)	(1,196,527)	56.9%
Profit after tax		2,671,729	1,361,567	96.2%	5,470,352	3,521,578	55.3%
Non-controlling interests		-	-	-	-	-	-
Profit for the period		2,671,729	1,361,567	96.2%	5,470,352	3,521,578	55.3%
Statement of Comprehensive Income							
Profit for the period		2,671,729	1,361,567	96.2%	5,470,352	3,521,578	55.3%
Other comprehensive income:							
Foreign currency translation differences for foreign operations, net of tax		(70,677)	56,659	(224.7%)	(7,572)	(395,840)	(98.1%)
Total comprehensive income for the period		2,601,052	1,418,226	83.4%	5,462,780	3,125,738	74.8%

n.m.: 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 revenue. Production headcount reduced to 298 in 2Q15 from 315 in 2Q14.

(3) Other income consists of:

	Q2			Half year		
	Oct to Dec 2014 S\$	Oct to Dec 2013 S\$	Change	Jul to Dec 2014 S\$	Jul to Dec 2013 S\$	Change
(Loss)/Gain on disposal of property, plant and equipment	(72,959)	386	n.m.	(4,605)	1,916	(340.3%)
Gain on disposal of assets held for disposal	250,384	-	n.m.	250,384	279,606	(10.5%)
Interest income from banks and others	34,033	29,767	14.3%	67,308	64,933	3.7%
Rental income	32,317	32,676	(1.1%)	65,241	54,402	19.9%
Government grant – Skill Redevelopment and Capability Development Scheme	10,645	4,088	160.4%	19,616	8,176	139.9%
Exchange gain	221,665	20,848	963.2%	318,053	47,877	564.3%
Others	36,789	55,144	(33.3%)	71,497	91,518	(21.9%)

(4) Please refer to section 8 of this announcement for an analysis of the Group's administrative costs.

(5) Please refer to section 8 of this announcement for an analysis of the Group's other operating expenses.

(6) Profit before income tax includes the following expenses:

	Q2			Half year		
	Oct to Dec 2014 S\$	Oct to Dec 2013 S\$	Change	Jul to Dec 2014 S\$	Jul to Dec 2013 S\$	Change
Trade receivables written off	-	-	-	1,165	7,790	(85.0%)
Depreciation of property, plant and equipment	1,170,802	1,059,739	10.5%	2,343,116	2,117,532	10.7%
Inventories written off	30,619	39,162	(21.8%)	58,841	60,008	(1.9%)

(7) The effective tax rate for 2Q15 was 29.3% as compared to 32.7% in 2Q14. Included in the tax expense for 1H15 was withholding tax of S\$327k paid in relation to dividends remitted to Singapore from various overseas subsidiaries and a provision made of S\$227k in relation to withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

(8) Depreciation expenses in 2Q15 increased 10.5% year-on-year to S\$1.2 million due to purchases of new production equipment and upgrading of machinery

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 14 S\$	Group 30 Jun 14 S\$	Company 31 Dec 14 S\$	Company 30 Jun 14 S\$
Non-current assets					
Property, plant and equipment		26,768,591	26,632,893	-	-
Subsidiaries		-	-	17,654,378	17,654,378
Trade and other receivables		1,094,548	524,456	4,359,738	4,265,364
		27,863,139	27,157,349	22,014,116	21,919,742
Current assets					
Inventories		3,443,884	3,089,440	-	-
Trade and other receivables		10,216,241	9,552,149	5,085,635	4,769,664
Cash and cash equivalents		13,455,273	11,081,995	4,662,738	4,094,745
Assets held for sale		-	55,294	-	-
		27,115,398	23,778,878	9,748,373	8,864,409
Total assets		54,978,537	50,936,227	31,762,489	30,784,151
Shareholders' equity					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve		(2,680,715)	(2,673,143)	-	-
Accumulated profits		31,692,610	29,002,896	16,623,510	15,728,174
		43,794,826	41,112,684	31,406,441	30,511,105
Non-current liabilities					
Deferred tax liabilities		1,482,206	1,283,567	-	-
		1,482,206	1,283,567	-	-
Current liabilities					
Trade and other payables		8,143,883	7,296,759	352,179	266,522
Current tax payable		1,557,622	1,243,217	3,869	6,524
		9,701,505	8,539,976	356,048	273,046
Total liabilities		11,183,711	9,823,543	356,048	273,046
Total equity and liabilities		54,978,537	50,936,227	31,762,489	30,784,151

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

Amount repayable after one year

As at 31 Dec 14		As at 31 Dec 13	
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 2014 S\$	Oct to Dec 2013 S\$	Jul to Dec 2014 S\$	Jul to Dec 2013 S\$
Cash flows from operating activities					
Profit before income tax		3,780,666	2,023,801	7,348,197	4,718,105
Adjustments for:					
Depreciation of property, plant and equipment		1,170,802	1,059,739	2,343,116	2,117,532
Fixed assets written off		52,815	-	53,495	-
Loss/(Gain) on disposal of property, plant and equipment		20,144	(386)	(48,890)	(1,916)
Gain on disposal of assets held for sale		(250,384)	-	(250,384)	(279,606)
Interest income		(34,033)	(29,767)	(67,308)	(64,933)
Operating profit before changes in working capital		4,740,010	3,053,387	9,378,226	6,489,182
Inventories		(164,930)	(300,279)	(354,443)	(344,348)
Trade and other receivables		(365,758)	238,436	(1,532,443)	(388,862)
Trade and other payables		(372,098)	283,013	349,749	80,936
Cash generated from operations		3,837,224	3,274,557	7,841,089	5,836,908
Income tax paid		(659,439)	(650,552)	(852,963)	(1,028,974)
Net cash from operating activities		3,177,785	2,624,005	6,988,126	4,807,934
Cash flows from investing activities					
Purchase of property, plant and equipment		(835,776)	(1,084,232)	(2,362,434)	(1,388,381)
Proceeds from disposal of property, plant and equipment		150,365	19,143	317,865	33,318
Proceeds from disposal of assets held for sale		317,136	-	317,136	365,299
Interest received		35,538	31,759	84,414	67,666
Net cash used in investing activities		(332,737)	(1,033,330)	(1,643,019)	(922,098)
Cash flows from financing activities					
Deposits pledged		5,369	(211)	5,001	6,785
Dividends paid	(1)	(2,780,638)	(2,780,638)	(2,780,638)	(2,780,638)
Net cash used in financing activities		(2,775,269)	(2,780,849)	(2,775,637)	(2,773,853)
Net increase/(decrease) in cash and cash equivalents		69,779	(1,190,174)	2,569,470	1,111,983
Cash and cash equivalents at beginning of period		13,257,448	11,029,711	10,879,132	8,943,935
Effect of exchange rate fluctuations		(69,815)	(77)	(191,190)	(216,458)
Cash and cash equivalents at the end of period	(2)	13,257,412	9,839,460	13,257,412	9,839,460

Notes:

- (1) The Company paid a final dividend of 2 cents per ordinary share (one-tier tax exempt) on 19 Nov 2014 in respect of FY2014.

(2) Cash and cash equivalent is derived from:

	Group 31 Dec 14 S\$	Group 31 Dec 13 S\$
Cash and cash equivalent balances	13,455,273	10,040,915
Less: Pledged cash placed with bank	(197,861)	(201,455)
	13,257,412	9,839,460

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 2013	14,782,931	(2,275,994)	25,433,606	37,940,543
Total comprehensive income for the period				
Net profit for the period	-	-	3,521,578	3,521,578
Other comprehensive income				
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
Transactions with owners, recorded directly in equity				
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)
As at 31 December 2013	14,782,931	(2,671,834)	26,174,546	38,285,643
As at 1 July 2014	14,782,931	(2,673,143)	29,002,896	41,112,684
Total comprehensive income for the period				
Net profit for the period	-	-	5,470,352	5,470,352
Other comprehensive income				
Foreign currency translation differences, net of tax	-	(7,572)	-	(7,572)
Total comprehensive income for the period	-	(7,572)	5,470,352	5,462,780
Transactions with owners, recorded directly in equity				
Final dividend of 2 cents per share (one-tier tax exempt) in respect of FY2014	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(2,780,638)	(2,780,638)
As at 31 December 2014	14,782,931	(2,680,715)	31,692,610	43,794,826

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
	S\$	S\$	S\$	S\$
The Company				
As at 1 July 2013	14,782,931	-	11,329,818	26,112,749
Total comprehensive income for the period				
Net profit for the period	-	-	3,752,902	3,752,902
Total comprehensive income for the period	-	-	3,752,902	3,752,902
Transactions with owners, recorded directly in equity				
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)
As at 31 December 2013	14,782,931	-	12,302,082	27,085,013
As at 1 July 2014	14,782,931	-	15,728,174	30,511,105
Total comprehensive income for the period				
Net profit for the period	-	-	3,675,974	3,675,974
Total comprehensive income for the period	-	-	3,675,974	3,675,974
Transactions with owners, recorded directly in equity				
Final dividend of 2 cents per share (one-tier tax exempt) in respect of FY2014	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(2,780,638)	(2,780,638)
As at 31 December 2014	14,782,931	-	16,623,510	31,406,441

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 2014.

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 December 2014 and 31 December 2013. The Company did not have any treasury shares as at the end of the current financial year and as 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			
	Q2		Half year	
	Oct to Dec 2014	Oct to Dec 2013	Jul to Dec 2014	Jul to Dec 2013
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	1.92 cents	0.98 cents	3.93 cents	2.53 cents
(ii) On a fully diluted basis	1.92 cents	0.98 cents	3.93 cents	2.53 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 December 2013: 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 14	Group 30 Jun 14	Company 31 Dec 14	Company 30 Jun 14
Net Asset Value per ordinary share (cents)	31.50	29.57	22.59	21.95

The net asset value per ordinary share is calculated based on net assets of S\$43.8 million (30 June 2014: S\$41.1 million) and 139,031,881 (30 June 2014: 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 2014 totalled US\$59.4 billion. This represented an increase of 9.3% year-on-year (yoy) compared to the corresponding period in 2013.

The SIA said the semiconductor industry will achieve a new record in 2014 as global chip sales for the nine months to November had already matched total sales for the full year of 2013. The industry body added that demand remains strong across nearly all semiconductor product categories, with the Americas and Asia Pacific regional markets showing the most robust growth. The SIA also endorsed the World Semiconductor Trade Statistics (WSTS) 2014 global semiconductor sales forecast, which projects a 9% increase in worldwide semiconductor sales to US\$333.2 billion in 2014.

The WSTS expects all product categories and regions to grow steadily but moderately in the coming two years. It is forecasting global semiconductor sales to rise 3.4% to US\$345 billion in 2015, followed by growth of 3.1% to US\$355 billion in 2016. WSTS said Asia-Pacific will continue to be the fastest growing region with chip sales projected to reach US\$209 billion in 2016, which is a share of almost 60% of the worldwide market.

Group Revenue

		1Q	2Q	3Q	4Q	Full Year
REVENUE	FY2015	S\$13,038,188	S\$12,893,988	NA	NA	NA
	FY2014	S\$11,082,040	S\$10,481,430	S\$10,631,782	S\$11,661,411	S\$43,856,663
	% growth	17.7%	23.0%	NA	NA	NA

For the three months ended 31 December 2014 (2Q15), Group revenue increased 23.0% to S\$12.9 million from S\$10.5 million in 2Q14, driven by improved sales performance of our semiconductor tooling business. On a quarter-on-quarter (qoq) basis, Group revenue in 2Q15 was relatively stable at S\$13.0 million as compared to 1Q15, despite a seasonally slower period for the technology sector at the end of the calendar year.

Together with the strong performance in 1Q15, Group revenue for the six months ended 31 December 2014 (1H15) increased 20.3% to S\$25.9 million from S\$21.6 million in 1H14.

Revenue breakdown by product segment

		1Q	2Q	3Q	4Q	Full Year
SEMICONDUCTOR TOOLING REVENUE	FY2015	S\$11,348,221	S\$11,147,406	NA	NA	NA
	FY2014	S\$9,433,908	S\$8,672,648	S\$8,662,680	S\$9,949,642	S\$36,718,878
	% growth	20.3%	28.5%	NA	NA	NA

		1Q	2Q	3Q	4Q	Full Year
CMA REVENUE	FY2015	S\$1,689,967	S\$1,746,582	NA	NA	NA
	FY2014	S\$1,648,132	S\$1,808,782	S\$1,969,102	S\$1,711,769	S\$7,137,785
	% growth	2.5%	(3.4%)	NA	NA	NA

The Group's semiconductor tooling segment, which serves customers involved in the assembly and testing of semiconductors, posted strong sales growth of 28.5% to S\$11.1 million in 2Q15, from S\$8.7 million in 2Q14. This was driven mainly by higher sales in China, Taiwan and Malaysia. On a qoq basis, sales of our semiconductor tooling segment decreased by 1.8% from S\$11.3 million in 1Q15.

Our Custom Machining & Assembly (CMA) division, which serves high technology capital equipment manufacturers in the aerospace, medical, laser and wafer fabrication industries, registered revenue of S\$1.7 million in 2Q15, down slightly from S\$1.8 million in 2Q14. On a qoq basis, CMA sales increased 3.4%.

Our semiconductor tooling and CMA segments contributed 87% and 13% respectively to Group revenue in 1H15.

Revenue breakdown by Geographical Market

Country	Group												
	1Q15			2Q15			2Q14			1H15		1H14	
	S\$	S\$ m	%	S\$ m	%	% change	S\$ m	%	S\$ m	%	% change		
Singapore	0.8	0.9	7%	0.8	8%	6.6%	1.7	7%	1.7	8%	0.7%		
Malaysia	3.0	2.7	21%	2.3	22%	15.4%	5.7	22%	4.7	22%	21.5%		
Philippines	1.1	1.1	9%	1.0	10%	13.8%	2.2	9%	2.0	9%	10.5%		
Thailand	0.6	0.2	2%	0.5	5%	(54.4%)	0.8	3%	1.1	5%	(25.3%)		
China	3.3	3.4	27%	2.3	21%	54.2%	6.7	26%	4.9	23%	37.4%		
USA	1.8	1.8	14%	1.6	15%	12.2%	3.7	14%	3.1	14%	17.3%		
Europe	0.5	0.6	4%	0.5	5%	13.8%	1.1	4%	1.1	5%	(3.0%)		
Japan	0.3	0.3	2%	0.3	2%	9.6%	0.5	2%	0.5	2%	16.3%		
Taiwan	1.2	1.4	11%	0.9	9%	47.2%	2.6	10%	1.8	9%	39.5%		
Rest of world	0.4	0.5	3%	0.3	3%	55.8%	0.9	3%	0.7	3%	40.6%		
Total	13.0	12.9	100%	10.5	100%	23.0%	25.9	100%	21.6	100%	20.3%		

China was the Group's largest geographical market in 2Q15 as sales surged 54.2% to S\$3.4 million. It was followed by Malaysia where sales grew 15.4% to S\$2.7 million. These two markets for our semiconductor tools had a combined contribution of 47.3% of Group revenue. Revenue derived from other markets for our semiconductor tooling business was generally higher during 2Q15 with the Taiwan market showing strong sales growth of 47.2% to S\$1.4 million.

Sales to customers in the USA, which is mainly a market for our CMA business, increased 12.2% to S\$1.8 million in 2Q15, from S\$1.6 million in 2Q14.

Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2015	60%	59%	NA	NA	NA
	FY2014	54%	56%	53%	59%	55%

The average capacity utilisation rate of the Group's factories increased to 59% in 2Q15 from 56% in 2Q14, in tandem with the increase in Group sales.

Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2015	52.9%	54.7%	NA	NA	NA
	FY2014	51.3%	50.4%	50.4%	50.7%	50.7%

Gross Profit Margin (By Product Segment)		1Q	2Q	3Q	4Q	Full Year	
	FY2015	Semiconductor	59.8%	61.8%	NA	NA	NA
		CMA	6.3%	9.6%	NA	NA	NA
FY2014	Semiconductor	56.9%	55.4%	55.3%	56.5%	56.0%	
	CMA	19.3%	26.3%	29.1%	17.0%	23.2%	

The Group's gross profit (GP) in 2Q15 increased 33.7% to S\$7.1 million, from S\$5.3 million in 2Q14. GP margin of our semiconductor tooling business expanded to 61.8% in 2Q15 compared to 55.4% in 2Q14 due to higher capacity utilisation as well as our continual focus on operational efficiency and productivity improvements. GP margin of our CMA division fell to 9.6% in 2Q15, compared to 26.3% in 2Q14, due mainly to a shift in product mix and higher depreciation expenses at our CMA factory in the USA.

The Group's overall GP margin in 2Q15 improved to 54.7% from 50.4% in 2Q14.

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
	FY2015 % of sales	S\$3,325,523 25.5%	S\$3,277,081 25.4%	NA	NA	NA
	FY2014 % of sales	S\$2,992,187 27.0%	S\$3,254,196 31.0%	S\$3,160,953 29.7%	S\$3,083,640 26.4%	S\$12,490,976 28.5%

Other income more than tripled in 2Q15 to S\$513k from S\$143k in 2Q14, attributable mainly to higher foreign exchange gain of S\$221k and a gain of S\$250k from disposal of assets held for sale.

We continued to keep a close watch on our expense structure in 2Q15. Distribution expenses saw a marginal increase to S\$787k from S\$782k in 2Q14. Administrative expenses increased 16.5% to S\$2.3 million from S\$1.9 million in the year-ago period due mainly to higher performance bonus incentive payout, while other operating expenses increased to S\$751k from S\$683k in 2Q14 as a result of upkeeping of premises and higher tooling expenses.

In aggregate, our distribution, administrative and other operating expenses (inclusive of other income) remained relatively consistent at S\$3.3 million in 2Q15. As a percentage of Group sales, these overhead expenses decreased to 25.4% in 2Q15 from 31.0% in 2Q14.

Profit before Tax and Net Profit

Net Profit after tax		1Q	2Q	3Q	4Q	Full Year
	FY2015	S\$2,798,623	S\$2,671,729	NA	NA	NA
	FY2014	S\$2,160,011	S\$1,361,567	S\$1,795,372	S\$2,423,296	S\$7,740,246
	% growth	29.6%	96.2%	NA	NA	NA

As a result of higher revenue and GP margin in 2Q15, the Group's profit before tax increased 86.8% to S\$3.8 million from S\$2.0 million in 2Q14.

Income tax expense in 2Q15 amounted to S\$1.1 million (S\$662k in 2Q14). This includes withholding tax of S\$327k paid in relation to dividends remitted to Singapore from various overseas subsidiaries and a provision made of S\$227k in relation to withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries. The effective tax rate in 2Q15 was 29.3% as compared to 32.7% in 2Q14.

The Group reported a quarterly net profit after taxation of S\$2.7 million in 2Q15, an improvement of 96.2% from S\$1.4 million in 2Q14. As the Group's net profit grew at a faster pace than its revenue, its net profit margin increased to 20.7% in 2Q15 as compared to 13.0% in 2Q14.

For 1H15, Group net profit increased 55.3% to S\$5.5 million from S\$3.5 million in 1H14. Net profit margin in 1H15 widened to 21.1% from 16.3% in the same period a year ago.

Correspondingly, the Group's earnings per share in 1H15 improved to 3.93 cents from 2.53 cents in 1H14.

Dividend

The Board of Directors has declared the payment of an interim dividend of 1 cent per share and a special dividend of 1 cent per share [i.e. a total of 2 cents per share (one-tier tax exempt)] amounting to approximately S\$2.8 million, to be paid on 17 February 2015 to the shareholders on record as at 9 February 2015.

Balance Sheet

As at 31 December 2014, the Group remained in a sound financial position with total assets of S\$55.0 million, shareholders' equity of S\$43.8 million, cash and cash equivalents of S\$13.5 million and no bank borrowings.

Long Term Assets

Non-current assets stood at S\$27.9 million as at 31 December 2014 as compared to S\$27.2 million as at 30 June 2014, attributable mainly to higher non-current trade and other receivables.

Trade Receivables

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2015	S\$8,906,352	S\$8,899,026	NA	NA
	≥ 90 days	0.7%	0.3%	NA	NA
	Write-off	0.01%	0.01%	NA	NA
	FY2014	S\$7,497,467	S\$7,093,099	S\$7,284,756	S\$8,039,911
	≥ 90 days	0.2%	0.0%	0.2%	0.2%
	Write-off	0.1%	0.1%	0.1%	0.1%

The Group's total trade receivables increased to S\$8.9 million as at 31 December 2014 from S\$8.0 million as at 30 June 2014 in tandem with higher sales during 2Q15. Of the amount outstanding at the end of 1H15, 0.3% was outstanding for 90 days or more (0.2% as at 30 June 2014). Trade receivables written off during 1H15 was S\$1.6k or 0.01% of trade receivables.

Inventory

Inventory increased to S\$3.4 million as at 31 December 2014, from S\$3.1 million as at 30 June 2014, to fulfill higher customers' orders. As a percentage of annualised sales, our inventory at end-December 2014 was 6.6% (7.0% as at 30 June 2014). Inventory written off in 1H15 totaled S\$59k, compared to S\$60k in 1H14.

Trade Payables

As at 31 December 2014, our trade payables totaled S\$0.7 million, of which S\$9k was outstanding for 30 days or more. Non-trade payables totaled S\$3.7 million. Of this, S\$2.4 million was outstanding for more than 30 days, including an interest free credit term of S\$1.9 million up to July 2015 granted by a machine vendor. Other accrued expenses stood at S\$3.7 million.

Deferred Tax Liabilities

Deferred tax liabilities as at 31 December 2014 increased to S\$1.5 million from S\$1.3 million as at 30 June 2014, mainly due to provision made in relation to withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2015	S\$1,526,658	S\$835,776	NA	NA	NA
	% of sales					
	FY2014	S\$304,149	S\$1,084,232	S\$3,672,077	S\$1,504,740	S\$6,565,198
	% of sales					15.0%

During 1H15, our capital expenditure totaled S\$2.4 million which was mainly related to the purchase of equipment and machine accessories to enhance productivity and production efficiency at our factories in Singapore and the USA.

Our planned capital expenditure for FY2015 is expected to amount to approximately S\$6.8 million, which is to be used for the purchase of additional machines and equipment to further enhance automation and operational efficiency.

Cash Flow Analysis

The Group generated net cash from operations of S\$3.2 million in 2Q15 (S\$2.6 million in 2Q14). Net cash used for investing activities amounted to S\$0.3 million, mainly in relation to capital expenditure which was partially offset by proceeds from the disposal of plant, property & equipment and assets held for sales.

We closed the period with cash and cash equivalents of approximately S\$13.5 million, including S\$198k 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.

Financial Performance

Micro-Mechanics achieved its second-highest quarterly revenue in 2Q15 as the Group continued to benefit from the focus, effort and investments that we have put into improving operating efficiency. During 2Q15, Group revenue increased 23.0% to S\$12.9 million (just below the record of S\$13.0 million achieved in 1Q15) while GP increased 33.7% to S\$7.1 million. As a result, the Group's GP margin for the quarter rose to 54.7% from 50.4% in the same period a year ago. By keeping a tight reign on spending, the Group's profit before tax nearly doubled to S\$3.8 million from S\$2.0 million in the same period a year ago. After deducting tax expense of S\$1.1 million, net profit increased 96.2% to S\$2.7 million.

Our semiconductor tooling division performed well in 2Q15 during the seasonally slower year-end period. The division's sales increased 28.5% to S\$11.1 million while its GP margin increased to 61.8% from 55.4% in 2Q14 despite pricing pressures typical of the semiconductor industry.

During the quarter, our subsidiary in the USA, which houses our CMA division, incurred a loss of S\$179k, after deducting depreciation expense of S\$330k. Although we have made good engineering and development progress and have transitioned nearly 70% of the CMA division's manufacturing to our new *24/7 Machining* line, the loss is a concern. We are working diligently to retire old equipment, expedite the transition to *24/7 Machining*, expand and strengthen our engineering team and improve the division's top and bottom lines.

At the same time, we intend to maintain our tight rein on spending. In 2Q15, total overhead expenses (distribution, administrative and other expenses including other income) remained consistent at S\$3.3 million.

With no bank borrowings to service and our stringent control over inventory and receivables, net cash generated from operating activities in 2Q15 increased to S\$3.2 million from S\$2.6 million in the same quarter a year ago. After capital spending of S\$0.8 million and dividends paid of S\$2.8 million, we ended the period in a strong financial position with S\$13.5 million in cash (including S\$198k held as security deposits), no bank borrowings and low trade payables of only S\$0.7 million (of which S\$9k 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 while continued unrest in various parts of the world make markets unpredictable, volatile and cost-competitive.

When all the numbers are finally in, the SIA believes that 2014 will turn out to be a record year for the semiconductor industry with total industry revenue exceeding US\$330 billion. Against this backdrop of growth, we have seen increased price and delivery pressures from our customers as the industry becomes increasingly driven by demand for consumer electronics. Together with rising costs and a shortage of skilled workers, further exacerbated by a host of companies relocating to Asia from higher-cost locations, the operating environment for the Group will continue to be challenging.

Key Operating Strategies

Despite the difficult operating environment, we understand what is required for the Group to sustain its growth over the long term. We are continuing to focus on our customers and the value we bring to their businesses. Whether we design and manufacture a tool for a delicate semiconductor assembly process or machine a 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 implementing initiatives, such as *24/7 Machining*, to improve the quality, velocity and productivity of our operations, we have gradually reduced our headcount by over 25% to 440 people at the end of 2Q15.

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 implement such a learning culture amongst our people, we have a carefully structured in-house training program which we call *MMUniversity*. During 2Q15, we conducted workshops for more than 100 people on *The Fundamentals of Value-Driven Decision Making* and *Striving for Perfection*. The purpose of both these courses is to give our people, at all levels, a common framework for making more informed and aligned decisions based on our mission and an understanding of value.

Appreciation and Stakeholder Value

Since our listing in 2003, we have had a consistent practice of rewarding shareholders for their continuous support of Micro-Mechanics. After paying a total dividend of 3 cents per share for FY2014, the Board has declared a special dividend of 1 cent per share in addition to an interim dividend of 1 cent per share for FY2015 [i.e. a total of 2 cents per share (one-tier tax exempt)], to be paid on 17 February 2015, as compared to an interim dividend of 1 cent per share paid in FY2014.

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?

The Board of Directors has declared the payment of an interim dividend of 1 cent per share and a special dividend of 1 cent per share [i.e. a total of 2 cents per share (one-tier tax exempt)] amounting to approximately S\$2.8 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 18 February 2014 in respect of FY2014.

(c) Date payable

The dividend payment will be made on 17 February 2015.

(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 10 February 2015 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 9 February 2015 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 9 February 2015 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 are no interested party transactions for the financial period ended 31 December 2014.

- 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 of the Group and of the Company for the financial period ended 31 December 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHOW KAM WING
Company Secretary
31 January 2015