

# MICRO-MECHANICS (HOLDINGS) LTD

## Unaudited Third Quarter Financial Statements Announcement for the period ended 31/03/2014

### 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 2014 S\$	Jan to Mar 2013 S\$	Change	Jul to Mar 2014 S\$	Jul to Mar 2013 S\$	Change
Revenue	(1)	10,631,782	9,212,963	15.4%	32,195,252	28,390,783	13.4%
Cost of sales	(2)	(5,268,726)	(4,822,774)	9.2%	(15,867,708)	(14,644,450)	8.4%
<b>Gross profit</b>		<b>5,363,056</b>	<b>4,390,189</b>	22.2%	<b>16,327,544</b>	<b>13,746,333</b>	18.8%
Other income	(3)	322,978	470,412	(31.3%)	871,406	693,027	25.7%
Distribution costs		(803,813)	(745,858)	7.8%	(2,396,898)	(2,249,236)	6.6%
Administrative expenses		(2,002,189)	(1,792,281)	11.7%	(5,844,995)	(5,527,616)	5.7%
Other operating expenses		(677,929)	(623,579)	8.7%	(2,036,849)	(1,943,404)	4.8%
<b>Profit from operations</b>		<b>2,202,103</b>	<b>1,698,883</b>	29.6%	<b>6,920,208</b>	<b>4,719,104</b>	46.6%
Finance costs		-	-	-	-	-	-
<b>Profit before taxation</b>	(4)	<b>2,202,103</b>	<b>1,698,883</b>	29.6%	<b>6,920,208</b>	<b>4,719,104</b>	46.6%
Taxation	(5)	(406,731)	(267,731)	51.9%	(1,603,258)	(1,130,115)	41.9%
<b>Profit after tax</b>		<b>1,795,372</b>	<b>1,431,152</b>	25.4%	<b>5,316,950</b>	<b>3,588,989</b>	48.1%
<b>Minority interests</b>		-	-	-	-	-	-
<b>Net profit for the period</b>		<b>1,795,372</b>	<b>1,431,152</b>	25.4%	<b>5,316,950</b>	<b>3,588,989</b>	48.1%
<b>Statement of Comprehensive Income</b>							
Profit for the period		<b>1,795,372</b>	<b>1,431,152</b>	25.4%	<b>5,316,950</b>	<b>3,588,989</b>	48.1%
Other comprehensive income:							
Foreign currency translation differences		(79,997)	202,540	(139.5%)	(475,837)	69,063	(789.0%)
<b>Total comprehensive income for the period</b>		<b>1,715,375</b>	<b>1,633,692</b>	5.0%	<b>4,841,113</b>	<b>3,658,052</b>	32.3%

NM: Not meaningful

Notes:

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

(3) Other income consists of:

	Q3			Year-to-Date (9 months)		
	Jan to Mar 2014 S\$	Jan to Mar 2013 S\$	Change	Jul to Mar 2014 S\$	Jul to Mar 2013 S\$	Change
Gain on disposal of property, plant and equipment	8,392	378,679	(97.8%)	10,308	489,096	(97.9%)
Gain on disposal of assets held for disposal	-	-	-	279,606	-	n.m.
Interest income from banks and others	21,103	20,541	2.7%	86,036	59,834	43.8%
Rental income	32,341	-	n.m.	86,743	-	n.m.
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	200,559	10,047	1896.2%	208,735	18,223	1045.4%
Exchange gain	13,654	-	n.m.	61,530	-	n.m.
Others	46,929	61,145	(23.2%)	138,448	125,874	10.0%

(4) Profit before taxation includes the following expenses:

	Q3			Half year		
	Jan to Mar 2014 S\$	Jan to Mar 2013 S\$	Change	Jul to Mar 2014 S\$	Jul to Mar 2013 S\$	Change
Trade receivables written off	-	-	-	7,790	-	n.m.
Depreciation of property, plant and equipment	1,104,958	1,075,578	2.7%	3,222,490	3,217,561	0.2%
Exchange (gain)/loss	-	(35,672)	100.0%	-	11,992	(100.0%)
Inventories written off	8,374	7,454	12.3%	68,382	42,014	62.8%

(5) The effective tax rate for 3Q14 was 18.5%, compared to 15.8% for 3Q13 due to higher profit. The corporate tax was S\$359k and withholding tax from dividend remitted by subsidiaries to Holding company was S\$48k.

**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 14 S\$	Group 30 Jun 13 S\$	Company 31 Mar 14 S\$	Company 30 Jun 13 S\$
<b>Non-current assets</b>					
Property, plant and equipment		26,592,071	25,043,852	-	-
Investment in subsidiaries		-	-	17,257,474	17,257,474
Trade and other receivables		-	-	4,380,585	4,389,273
		26,592,071	25,043,852	21,638,059	21,646,747
<b>Current assets</b>					
Inventories		2,721,154	2,178,499	-	-
Trade and other receivables		8,933,672	8,516,330	2,395,409	3,414,412
Cash and cash equivalents		10,107,113	9,152,175	3,852,552	1,361,054
Assets held for disposal		-	84,586	-	-
		21,761,939	19,931,590	6,247,961	4,775,466
<b>Total assets</b>		48,354,010	44,975,442	27,886,020	26,422,213
<b>Shareholders' equity</b>					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(1)	(2,751,831)	(2,275,994)	-	-
Accumulated profits		26,579,599	25,433,606	12,850,850	11,329,818
		38,610,699	37,940,543	27,633,781	26,112,749
<b>Non-current liabilities</b>					
Deferred tax liabilities		1,299,951	1,339,538	-	-
		1,299,951	1,339,538	-	-
<b>Current liabilities</b>					
Trade and other payables	(2)	7,176,233	4,343,345	242,803	304,666
Provision for taxation		1,267,127	1,352,016	9,436	4,798
		8,443,360	5,695,361	252,239	309,464
Total liabilities		9,743,311	7,034,899	252,239	309,464
<b>Total equity and liabilities</b>		48,354,010	44,975,442	27,886,020	26,422,213

Notes:

- (1) The movement in foreign currency translation reserves was mainly due to the depreciation of Malaysia ringgit against the Singapore Dollar.
- (2) The increase in trade and other payables was owing to a machine vendor of US\$1.8 million for which an interest free credit term of up to July 2015 was granted.

**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 14		As at 31 Mar 13	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

**Amount repayable after one year**

As at 31 Mar 14		As at 31 Mar 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.**

		Group			
		Q3		Year-to-Date (9 months)	
		Jan to Mar 2014 S\$	Jan to Mar 2013 S\$	Jul to Mar 2014 S\$	Jul to Mar 2013 S\$
	Note				
<b>Operating activities</b>					
Profit before taxation		2,202,103	1,698,883	6,920,208	4,719,104
Adjustments for:					
Depreciation of property, plant and equipment		1,104,958	1,075,578	3,222,490	3,217,561
Gain on disposal of property, plant and equipment		(8,392)	(378,679)	(10,308)	(489,096)
Gain on disposal of assets held for disposal		-	-	(279,606)	-
Interest income		(21,103)	(20,541)	(86,036)	(59,834)
<b>Operating profit before changes in working capital</b>		3,277,566	2,375,241	9,766,748	7,387,735
Inventories		(198,307)	(30,671)	(542,655)	161,451
Trade and other receivables		(32,931)	349,290	(421,793)	1,082,352
Trade and other payables		2,429,458	(633,205)	2,510,394	(837,962)
Cash generated from operations		5,475,786	2,060,655	11,312,694	7,793,576
Income tax paid		(343,947)	(216,611)	(1,372,921)	(961,323)
<b>Net cash from operating activities</b>		5,131,839	1,844,044	9,939,773	6,832,253
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(3,672,077)	(729,969)	(5,060,458)	(2,379,577)
Proceeds from disposal of property, plant and equipment		10,961	571,124	44,279	919,557
Proceeds from disposal of assets held for disposal		-	-	365,299	-
Interest received		21,811	20,273	89,477	64,080
<b>Net cash used in investing activities</b>		(3,639,305)	(138,572)	(4,561,403)	(1,395,940)
<b>Cash flow from financing activities</b>					
Dividends paid	(1)	(1,390,319)	(1,390,319)	(4,170,956)	(4,170,956)
Deposits pledged		5	(2,960)	6,790	(2,973)
<b>Net cash used in financing activities</b>		(1,390,314)	(1,393,279)	(4,164,166)	(4,173,929)
<b>Net increase in cash and cash equivalents</b>		102,220	312,193	1,214,204	1,262,384
Cash and cash equivalents at beginning of the period		9,839,460	6,905,458	8,943,935	5,760,854
Effect of exchange rate fluctuations		(36,017)	20,143	(252,476)	214,556
<b>Cash and cash equivalents at end of the period</b>	(2)	9,905,663	7,237,794	9,905,663	7,237,794

Notes:

- (1) The Company paid interim dividend of 1 cent per ordinary share (one-tier tax exempt) on 18 February 2014 in respect of FY2014.

(2) Cash and cash equivalent is derived from:

	<b>Group 31 Mar 14 S\$</b>	<b>Group 31 Mar 13 S\$</b>
Cash and cash equivalent balances	10,107,113	7,449,339
Less: Pledged cash placed with bank	(201,450)	(211,545)
	<b>9,905,663</b>	<b>7,237,794</b>

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

	<b>Share Capital  S\$</b>	<b>Foreign Currency Translation Reserve  S\$</b>	<b>Accumulated Profits  S\$</b>	<b>Total  S\$</b>
<b>The Group</b>				
As at 1 July 2013	14,782,931	(2,275,994)	25,433,606	37,940,543
<b>Total comprehensive income for the period</b>				
Net profit for the period	-	-	3,521,578	3,521,578
<b>Other comprehensive income</b>				
Foreign currency translation differences, net of tax	-	(395,840)	-	(395,840)
Total comprehensive income for the period	-	(395,840)	3,521,578	3,125,738
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2013	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(2,780,638)	(2,780,638)
<b>As at 31 December 2013</b>	<b>14,782,931</b>	<b>(2,671,834)</b>	<b>26,174,546</b>	<b>38,285,643</b>
<b>As at 1 Jan 2014</b>	<b>14,782,931</b>	<b>(2,671,834)</b>	<b>26,174,546</b>	<b>38,285,643</b>
<b>Total comprehensive income for the period</b>				
Net profit for the period	-	-	1,795,372	1,795,372
<b>Other comprehensive income</b>				
Foreign currency translation differences, net of tax	-	(79,997)	-	(79,997)
Total comprehensive income for the period	-	(79,997)	1,795,372	40,001,018
<b>Transactions with owners, recorded directly in equity</b>				
Interim dividend of 1 cent per share (one tier tax-exempt) in respect of FY2014	-	-	(1,390,319)	(1,390,319)
Total transactions with owners, recorded directly in equity	-	-	(1,390,319)	(1,390,319)
<b>As at 31 March 2014</b>	<b>14,782,931</b>	<b>(2,751,831)</b>	<b>26,579,599</b>	<b>38,610,699</b>

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
<b>The Company</b>				
As at 1 July 2013	14,782,931	-	11,329,818	26,112,749
<b>Total comprehensive income for the period</b>				
Net profit for the period	-	-	3,752,902	3,752,902
Total comprehensive income for the period	-	-	3,752,902	3,752,902
<b>Transactions with owners, recorded directly in equity</b>				
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2013	-	-	(2,780,638)	(2,780,638)
Total transactions with owners, recorded directly in equity	-	-	(2,780,638)	(2,780,638)
<b>As at 31 December 2013</b>	<b>14,782,931</b>	<b>-</b>	<b>12,302,082</b>	<b>27,085,013</b>
As at 1 Jan 2014	14,782,931	-	12,302,082	27,085,013
<b>Total comprehensive income for the period</b>				
Net profit for the period	-	-	1,939,087	1,939,087
Total comprehensive income for the period	-	-	1,939,087	1,939,087
<b>Transactions with owners, recorded directly in equity</b>				
Interim dividend of 1 cent per share (one tier tax-exempt) in respect of FY2014	-	-	(1,390,319)	(1,390,319)
Total transactions with owners, recorded directly in equity	-	-	(1,390,319)	(1,390,319)
<b>As at 31 March 2014</b>	<b>14,782,931</b>	<b>-</b>	<b>12,850,850</b>	<b>27,633,781</b>

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

There was no change in share capital for the financial period ended 31 March 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 31 March 2014 and 139,031,881 ordinary shares as at 31 March 2013. The Company does not have any treasury shares as at the end of the current financial period and as at the end of the immediately preceding period.

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

Not applicable.

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

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

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

Not applicable.

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

Yes.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable

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

	Group			
	Q3		Year-to-Date (9 months)	
	Jan to Mar 2014	Jan to Mar 2013	Jul to Mar 2014	Jul to Mar 2013
Earnings per ordinary share for the period based on net profit after tax and minority interest:-				
(i) Based on weighted average number of ordinary shares in issue	1.29 cents	1.03 cents	3.82 cents	2.58 cents
(ii) On a fully diluted basis	1.29 cents	1.03 cents	3.82 cents	2.58 cents

The calculation is based on the weighted average number of shares in issue during the period. The weighted average number of shares outstanding during the year was 139,031,881 (31 Mar 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 Mar 14	Group 30 Jun 13	Company 31 Mar 14	Company 30 Jun 13
Net Asset Value per ordinary share (cents)	27.77	27.29	19.88	18.78

The net asset value per ordinary share is calculated based on net assets of S\$38.6 million (30 June 2013: S\$37.9 million) and 139,031,881 (30 June 2013: 139,031,881) shares in issue at the end of the current financial period reported on/immediately preceding financial year.

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

## **REVIEW OF PROFIT AND LOSS**

### ***Semiconductor industry review***

#### ***Semiconductor industry review***

The global semiconductor industry has started 2014 on a positive note, following through on the record annual sales of US\$305.3 billion achieved in 2013. Based on data from the Semiconductor Industry Association (SIA), worldwide sales of semiconductors in January and February 2014 amounted to US\$52.1 billion. This was an increase of 9.2% year-on-year, marking the industry's largest revenue growth in nearly three years. The SIA said sales were up across most regions and nearly all product categories compared to the same two-month period in 2013, which bodes well for continued growth during the rest of 2014.



The SIA said the Americas market continues to demonstrate impressive growth and is a key driver to the semiconductor industry's global sales. The Asia Pacific and Europe markets also saw sales increase substantially while the Japanese market continued its recent rebound.

In December 2013, the World Semiconductor Trade Statistics (WSTS) organization projected global chip sales to increase 4.1% US\$316.6 billion in 2014. However, a number of industry watchers have become optimistic that the industry's growth this year could exceed the WSTS's forecast.

#### *Group Revenue*

		1Q	2Q	3Q	4Q	Full Year
<b>Group Revenue</b>	<b>FY2014</b>	<b>S\$11,082,040</b>	<b>S\$10,481,430</b>	<b>S\$10,631,782</b>	<b>NA</b>	<b>NA</b>
	<b>FY2013</b>	<b>S\$9,894,509</b>	<b>S\$9,283,311</b>	<b>S\$9,212,963</b>	<b>S\$10,762,618</b>	<b>S\$39,153,401</b>
	<b>% growth</b>	<b>12.0%</b>	<b>12.9%</b>	<b>15.4%</b>	<b>NA</b>	<b>NA</b>

For the three months ended 31 March 2014 (3Q14), Group revenue increased 15.4% year-on-year (yoy) to S\$10.6 million, from S\$9.2 million in 3Q13, driven by higher sales of both our semiconductor tooling and Custom Machining & Assembly (CMA) divisions. On a sequential basis, Group revenue in 3Q14 edged up 1.4% from S\$10.5 million in 2Q14, attributable to higher sales of the CMA division.

Together with the Group's stronger performance in 1H14, revenue for the nine months ended 31 March 2014 (9M14) increased 13.4% to S\$32.2 million, compared to S\$28.4 million in 9M13.

#### *Revenue breakdown by Product Segment*

		1Q	2Q	3Q	4Q	Full Year
<b>Semiconductor Tooling Revenue</b>	<b>FY2014</b>	<b>S\$9,433,908</b>	<b>S\$8,672,648</b>	<b>S\$8,662,680</b>	<b>NA</b>	<b>NA</b>
	<b>FY2013</b>	<b>S\$8,622,533</b>	<b>S\$8,082,558</b>	<b>S\$7,746,559</b>	<b>S\$9,331,307</b>	<b>S\$33,782,957</b>
	<b>% growth</b>	<b>9.4%</b>	<b>7.3%</b>	<b>11.8%</b>	<b>NA</b>	<b>NA</b>

		1Q	2Q	3Q	4Q	Full Year
<b>CMA Revenue</b>	<b>FY2014</b>	<b>S\$1,648,132</b>	<b>S\$1,808,782</b>	<b>S\$1,969,102</b>	<b>NA</b>	<b>NA</b>
	<b>FY2013</b>	<b>S\$1,271,976</b>	<b>S\$1,200,753</b>	<b>S\$1,466,404</b>	<b>S\$1,431,311</b>	<b>S\$5,370,444</b>
	<b>% growth</b>	<b>29.6%</b>	<b>50.6%</b>	<b>34.3%</b>	<b>NA</b>	<b>NA</b>

Revenue from the semiconductor tooling segment, which serves customers involved in the assembly and testing of semiconductors, increased 11.8% to S\$8.7 million in 3Q14, from S\$7.7 million in 3Q13. This was driven mainly by increased sales in China. On a quarter-on-quarter (qoq) basis, sales of our semiconductor tooling segment was steady compared to 2Q14.

Our CMA division, which serves high technology capital equipment manufacturers in the aerospace, medical, laser and wafer fabrication industries, continued to show encouraging sales growth in 3Q14 with an increase of 34.3% to S\$2.0 million from S\$1.5 million in 3Q13. This was also 8.9% higher than the division's sales of S\$1.8 million in 2Q14.

For 9M14, revenue from the semiconductor tooling segment increased 9.5% to S\$26.8 million while the CMA division registered sales growth of 37.7% to S\$5.4 million. Correspondingly, the semiconductor tooling and CMA segments accounted for 83% and 17% respectively of Group revenue in 9M14.

### Revenue breakdown by Geographical Market

Country	Group										
	2Q14	3Q14		3Q13		%	9M14		9M13		%
		S\$ m	%	S\$ m	%	change	S\$ m	%	S\$ m	%	change
Singapore	0.8	0.9	8%	0.5	6%	66.2%	2.5	8%	1.6	6%	56.6%
Malaysia	2.3	2.0	19%	2.2	23%	(6.7%)	6.7	21%	6.5	23%	4.0%
Philippines	1.0	0.9	8%	0.8	9%	5.4%	2.9	9%	2.5	9%	13.3%
Thailand	0.5	0.5	5%	0.5	5%	17.2%	1.6	5%	1.4	5%	9.2%
China	2.3	2.6	25%	1.8	19%	45.0%	7.5	23%	5.9	21%	26.1%
USA	1.6	1.9	17%	1.6	18%	15.1%	5.0	15%	4.2	15%	18.1%
Europe	0.5	0.5	5%	0.5	6%	(8.3%)	1.6	5%	1.6	6%	1.5%
Japan	0.3	0.2	2%	0.2	2%	16.6%	0.7	2%	0.9	3%	(15.7%)
Taiwan	0.9	0.9	9%	0.8	9%	10.6%	2.8	9%	2.7	9%	4.6%
Rest of World	0.3	0.2	2%	0.3	3%	(12.8%)	0.9	3%	1.1	3%	(17.4%)
<b>Total</b>	<b>10.5</b>	<b>10.6</b>	<b>100%</b>	<b>9.2</b>	<b>100%</b>	<b>15.4%</b>	<b>32.2</b>	<b>100%</b>	<b>28.4</b>	<b>100%</b>	<b>13.4%</b>

The China market witnessed strong sales growth of 45.0% to S\$2.6 million in 3Q14 as our marketing efforts there successfully expanded our customer base. However, sales in Malaysia eased 6.7% to S\$2.0 million. Revenue derived from our other semiconductor tooling markets was generally higher during 3Q14 with the exception of Europe.

Sales to customers in the USA, which is mainly a market for our CMA business, increased 15.1% to S\$1.9 million in 3Q14. Revenue from Singapore in 3Q14 increased 66.2% to S\$0.9 million, lifted by CMA sales contribution of S\$345k.

For 9M14, sales in China increased 26.1% to S\$7.5 million to become our largest geographical market with a contribution of 23% to Group revenue. This was followed by the Malaysia and USA markets which accounted for 21% and 15% respectively.

### Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2014	54%	56%	53%	NA	NA
	FY2013	46%	44%	45%	52%	47%

The average capacity utilisation rate of our 6 factories increased to 53% in 3Q14, from 45% in 3Q13, in tandem with higher Group sales and partly due to the disposal of legacy machines at the USA factory as production there continues to shift to the new *24/7 Machining Line*.

### Gross Profit (GP) Margin

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

Gross Profit Margin (By Product Segment)			1Q	2Q	3Q	4Q	Full Year
	FY2014	Semiconductor	56.9%	55.4%	55.3%	NA	NA
		CMA	19.3%	26.3%	29.1%	NA	NA
	FY2013	Semiconductor	56.6%	55.5%	53.9%	56.9%	55.8%
		CMA	(2.4%)	1.7%	14.8%	9.3%	6.3%

The Group's gross profit (GP) in 3Q14 increased 22.2% to S\$5.4 million, from S\$4.4 million in 3Q13.

GP margin of the CMA division in 3Q14 expanded to 29.1% from 14.8% in 3Q13. It also continued to show encouraging improvement from 26.3% in 2Q14 and 19.3% in 1Q14. This can be attributed to increased CMA sales and improved operational efficiency of our CMA factory in USA.

As GP margin of our semiconductor tooling business remained steady at 55.3%, the Group's overall GP margin expanded to 50.4% in 3Q14 from 47.7% in 3Q13.

***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
	<b>FY2014</b>	<b>S\$2,992,187</b>	<b>S\$3,254,196</b>	<b>S\$3,160,953</b>	<b>NA</b>	<b>NA</b>
	<b>% of sales</b>	<b>27.0%</b>	<b>31.0%</b>	<b>29.7%</b>		
	<b>FY2013</b>	<b>S\$3,219,803</b>	<b>S\$3,116,120</b>	<b>S\$2,691,306</b>	<b>S\$3,275,414</b>	<b>S\$12,302,643</b>
	<b>% of sales</b>	<b>32.5%</b>	<b>33.6%</b>	<b>29.2%</b>	<b>30.4%</b>	<b>31.4%</b>

Other income in 3Q14 amounted to S\$323k, including a government grant of S\$200k. However, this was a decrease from S\$470k in 3Q13 which included a gain on disposal of equipment of S\$379k.

We continue to keep a close watch on our expense structure. Distribution expenses in 3Q14 increased to S\$804k from S\$746k in 3Q13 due mainly to higher sales and performance bonus incentive payments. Administrative expenses increased 11.7% to S\$2.0 million from S\$1.8 million in the year-ago period, due mainly to higher performance bonus incentive. Other operating expenses increased 8.7% to S\$678k in 3Q14 from S\$624k in the corresponding quarter a year ago.

In aggregate, our administrative, distribution and other operating expenses (inclusive of other income) increased 17.4% to S\$3.2 million in 3Q14, from S\$2.7 million in 3Q13. As a percentage of Group sales however, these overhead expenses was stable at 29.7%.

***Profit before Tax and Net Profit***

		1Q	2Q	3Q	4Q	Full Year
<b>Net Profit After Tax</b>	<b>FY2014</b>	<b>S\$2,160,011</b>	<b>S\$1,361,567</b>	<b>S\$1,795,372</b>	<b>NA</b>	<b>NA</b>
	<b>FY2013</b>	<b>S\$1,174,791</b>	<b>S\$983,046</b>	<b>S\$1,431,152</b>	<b>S\$1,535,757</b>	<b>S\$5,124,746</b>
	<b>% growth</b>	<b>83.9%</b>	<b>38.5%</b>	<b>25.4%</b>		

As a result of higher sales and GP margin, the Group's profit before tax increased 29.6% to S\$2.2 million in 3Q14 from S\$1.7 million in 3Q13.

After deducting taxation of S\$407k (S\$268k in 3Q13), the Group reported a net profit of S\$1.8 million in 3Q14, an increase of 25.4% from S\$1.4 million in 3Q13.

As Group net profit grew at a faster pace than sales, net profit margin improved to 16.9% in 3Q14 compared to 15.5% in 3Q13.

For 9M14, Group profit before tax increased 46.6% to S\$6.9 million from S\$4.7 million in 9M13. After deducting taxes of S\$1.6 million (S\$1.1 million in 9M13), the Group's net profit increased 48.1% to S\$5.3 million from S\$3.6 million in 9M13. Net profit margin in 9M14 expanded to 16.5% from 12.6% in 9M13.

Correspondingly, the Group's earnings per share in 9M14 increased to 3.82 cents from 2.58 cents in 9M13.

***Balance Sheet***

As at 31 March 2014, the Group remained in a sound financial position with a balance sheet that had total assets of S\$48.4 million, shareholders' equity of S\$38.6 million, cash and cash equivalents of S\$10.1 million and no bank borrowings.

### Accounts Receivable

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Accounts Receivable	<b>FY2014</b>	<b>S\$7,497,467</b>	<b>S\$7,093,099</b>	<b>S\$7,284,756</b>	<b>NA</b>
	<b>≥ 90 days</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>NA</b>
	<b>Write-off</b>	<b>0.1%</b>	<b>0.1%</b>	<b>Nil</b>	<b>NA</b>
	<b>FY2013</b>	<b>S\$6,394,613</b>	<b>S\$5,883,263</b>	<b>S\$5,951,054</b>	<b>S\$7,704,446</b>
	<b>≥ 90 days</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.2%</b>
	<b>Write-off</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

Total trade receivables increased to S\$7.3 million as at 31 March 2014 (S\$6.0 million at end of 3Q13). Of this, 0.2% was outstanding for 90 days or more (0.5% at end of 3Q13). There were no bad debts during 3Q14 and 3Q13.

At the end of 3Q14, our trade payables totaled S\$0.9m, of which S\$53k was outstanding for 30 days or more. Non-trade payables amounted to S\$2.9m, of which S\$209k was outstanding for more than 30 days.

### Inventory

As a percentage of annualised sales, our inventory of S\$2.7 million at end of 3Q14 was at 6.3% (5.8% at end-3Q13). Inventory written off in 3Q14 totaled S\$8k, compared to S\$7k in 3Q13.

### Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	<b>FY2014</b>	<b>S\$304,149</b>	<b>S\$1,084,232</b>	<b>S\$3,672,077</b>	<b>NA</b>	<b>NA</b>
	<b>% of sales</b>					
	<b>FY2013</b>	<b>S\$466,376</b>	<b>S\$1,183,232</b>	<b>S\$729,969</b>	<b>S\$257,922</b>	<b>S\$2,637,499</b>
	<b>% of sales</b>					<b>6.7%</b>

During 3Q14, we made capital investments of S\$3.7 million. This was mainly for purchases of equipment, machine accessories and renovation to improve the capacity and capabilities of our factories in Singapore, Malaysia, the USA and the Philippines. As a result, our capital expenditure in 9M14 of S\$5 million has exceeded our earlier planned expenditure of S\$4 million due to earlier delivery of machinery.

### Cash Flow Analysis

The Group generated net cash from operations of S\$5.1 million in 3Q14 (S\$1.8 million in 3Q13). Net cash used for investing activities amounted to S\$3.6 million (S\$0.1 million in 3Q13), due mainly to capital expenditure. The Group used net cash of S\$1.4 million for financing activities during 3Q14, due to payment of an interim dividend of 1 cent per share in respect of FY2014. We closed the period with cash of S\$10.1 million, including S\$201k in pledged deposits.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement had been issued for the current financial reporting period. There is no material variance from our previous financial year commentary under Section 10.

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

### Financial Performance

During the third quarter of FY2014, the Group continued to make steady progress with revenue increasing 15.4% to S\$10.6 million from S\$9.2 million in the same quarter a year ago. Our semiconductor tooling division performed well in 3Q14 during the seasonally slower months at the beginning of the calendar year. The division's

sales increased 11.8% to S\$8.7 million while its GP margin remained steady at 55.3% (53.9% in 3Q13) despite selling price pressures typical of the semiconductor industry.

As we continue to develop *24/7 Machining*, our CMA division is also showing improvement. In 3Q14, CMA sales increased 34.3% to S\$2.0 million from S\$1.5 million in 3Q13, and 8.9% from S\$1.8 million in 2Q14. The higher sales together with improving operational efficiency resulted in the GP margin of our CMA division expanding to 29.1% from 14.8% in 3Q13. Overall, the Group's GP margin rose to 50.4% during 3Q14 from 47.7% in the same period a year ago.

In addition to working to improve the Group's GP margin, we are keeping a tight rein on spending. For the first nine months of FY2014, overhead expenses (distribution, administrative and other expenses including other income) increased 4.2% to S\$9.4 million from S\$9.0 million during the same nine month period in the previous year. Although total overhead expenses during 3Q14 increased 17.4% to S\$3.2 million from S\$2.7 million in 3Q13, these expenses were stable at 29.7% (29.2% in 3Q13) as a percentage of Group sales. As a result, the Group's net profit increased 25.4% to S\$1.8 million in 3Q14 from S\$1.4 million in the same period a year ago.

With no bank borrowings to service and our stringent control over inventory and receivables, net cash generated from operating activities in 3Q14 totaled S\$5.1 million. After capital spending of S\$3.7 million and dividends paid of S\$1.4 million, we ended the period in a strong financial position with S\$10.1 million in cash (including S\$201k held as security deposits), no bank borrowings and low trade payables of only S\$0.9 million (of which S\$53k was outstanding for 30 days or more). Non-trade payables amounted to S\$2.9 million, of which S\$209k was outstanding for more than 30 days.

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

Looking ahead, industry watchers are becoming more optimistic of the semiconductor industry's growth in 2014 following the industry's positive global sales in the first two months of the year. Nonetheless, business visibility continues to be clouded by numerous global uncertainties including, slower economic growth in China, and continuing unrest in various parts of the world. As a result, we believe markets will continue to be unpredictable, volatile and cost-competitive which make short-term forecasting and business planning difficult.

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

### **Key Operating Strategies**

Despite the difficult operating environment, we understand what is required for the Group to grow over the long term. We are continuing to focus on our customers and the value we bring to their businesses. Whether we design and manufacture a tool for a delicate semiconductor assembly process or machine a critical part for a leading maker of aerospace, laser or medical equipment, our mission is to deliver "*Perfect Parts and Tools, On Time, Every Time*" based on repeatable, scalable and cost-effective processes.

It is also clear that less labour intensive operations must be developed for sustainable growth. Hence, we are continuing to deploy our resources towards the development of automated processes that are repeatable, scalable, and cost-effective. At the beginning of FY2012, we employed about 601 people in six factories around the world. By focusing on our core competencies and implementing initiatives, such as *24/7 Machining*, to improve performance and productivity, we have gradually reduced headcount by about 23% to 462 people at the end of 3Q14.

Over the last few years, China has developed into a major centre for global chip manufacturing activity. To better tap this trend, we have been increasing our sales efforts there which has enabled us to successfully broaden our customer base in this market. As a result, sales of our semiconductor tools in China increased 26.1% to S\$7.5 million in 9M14 from S\$5.9 million in 9M13 to become our largest geographical market with a contribution of 23% to Group revenue. While we intend to seek new sales opportunities in China, we will also ensure that our other plants in Asia adapt to changes in the market landscape.

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

24/7 Machining, Teamwork and Transparency, we are now focusing on training designed to help our people better recognize and develop their potential.

#### **Appreciation and Stakeholder Value**

Since our listing in 2003, we have had a consistent practice of rewarding shareholders for their support of Micro-Mechanics. After paying a final dividend for FY2013 of 2 cents per share in November 2013, we distributed an interim dividend for FY2014 of 1 cent per share on 18 February 2014. We look forward to continue working together to build value for all our stakeholders.

#### **11. Dividend**

##### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

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.

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

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

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

*Not applicable*

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

Not applicable

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

Not applicable

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

Not applicable

#### **17. Interested Persons Transactions**

There is no interested party transactions for the financial period ending 31 March 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 to be false or misleading.

On behalf of the Board of Directors

.....  
Christopher Reid Borch  
Chief Executive Officer

.....  
Chow Kam Wing  
Chief Financial Officer

**BY ORDER OF THE BOARD**

**CHOW KAM WING**  
**Company Secretary**  
26 April 2014